

File HR 3024

by file

Approved For Release 2005/04/21 : CIA-RDP77M00144R001100010001-12

OPTIONAL RETIREMENT WHEN AGE AND LENGTH OF
SERVICE EQUALS EIGHTY YEARS

HEARING
BEFORE THE
SUBCOMMITTEE ON
RETIREMENT AND EMPLOYEE BENEFITS
OF THE
COMMITTEE ON
POST OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

SECOND SESSION

ON

H.R. 3024

A BILL TO AMEND THE AGE AND SERVICE REQUIREMENTS
FOR IMMEDIATE RETIREMENT UNDER SUBCHAPTER III OF
CHAPTER 83 OF TITLE 5, UNITED STATES CODE, AND FOR
OTHER PURPOSES

MAY 8, 1974

Serial No. 93 - 47

Printed for the use of the
Committee on Post Office and Civil Service



U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1974

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

THADDEUS J. DULSKI, New York, <i>Chairman</i>	
DAVID N. HENDERSON, North Carolina, <i>Vice Chairman</i>	
MORRIS K. UDALL, Arizona	H. R. GROSS, Iowa
DOMINICK V. DANIELS, New Jersey	EDWARD J. DERWINSKI, Illinois
ROBERT N. C. NIX, Pennsylvania	ALBERT W. JOHNSON, Pennsylvania
JAMES M. HANLEY, New York	LAWRENCE J. HOGAN, Maryland
CHARLES H. WILSON, California	JOHN H. ROUSSELOT, California
JEROME R. WALDIE, California	WALTER E. POWELL, Ohio
RICHARD C. WHITE, Texas	RICHARD W. MALLARY, Vermont
WILLIAM D. FORD, Michigan	ANDREW J. HINSHAW, California
FRANK J. BRASCO, New York	L. A. (SKIP) BAFLALIS, Florida
WILLIAM (BILL) CLAY, Missouri	JAMES M. COLLINS, Texas
PATRICIA SCHROEDER, Colorado	GENE TAYLOR, Missouri
JOE MOAKLEY, Massachusetts	
WILLIAM LEHMAN, Florida	
BOB TRAXLER, Michigan	

JOHN H. MARTINY, <i>Chief Counsel</i>	
VICTOR C. SMIROLDO, <i>Staff Director and Counsel</i>	
THEODORE J. KAZY, <i>Assistant Staff Director</i>	
ROBERT E. LOCKHART, <i>Assistant Counsel</i>	
ROY C. MESKER, <i>Staff Assistant</i>	
FRANCIS C. FORTUNE, <i>Coordinator</i>	

SUBCOMMITTEE ON RETIREMENT AND EMPLOYEE BENEFITS

JEROME R. WALDIE, California, <i>Chairman</i>	
FRANK J. BRASCO, New York	LAWRENCE J. HOGAN, Maryland
DOMINICK V. DANIELS, New Jersey	L. A. (SKIP) BAFLALIS, Florida
CHARLES H. WILSON, California	JAMES M. COLLINS, Texas
JOE MOAKLEY, Massachusetts	

<i>Ex Officio</i>	<i>Voting Members</i>
THADDEUS J. DULSKI, New York	H. R. GROSS, Iowa
DONALD F. TERRY, <i>Staff Assistant</i>	Room 406, Cannon Building--Ext. 56831

(II)

CONTENTS

Statement of—		Page
Bradley, George E., executive director, Organization of Professional Employees of the Department of Agriculture	43	
Daniels, Hon. Dominick V., a Representative in Congress from the the State of New Jersey	42	
Dorson, C. L., president, Retirement Federation of Civil Service Employees of the U.S. Government	38	
Geller, Irvin I., general counsel, National Federation of Federal Employees	13	
Hill, James, president, National Federation of Professional Organizations, accompanied by George Bradley, vice president	28	
Jaspan, Daniel, administrative vice president, National Association of Postal Supervisors	43	
Mauro, Rose T., Brooklyn, N.Y.	41	
McCart, John, operations director, Government Employees Council	35	
Murphy, John J., president, National Customs Service Association	40	
Nilan, Patrick J., legislative director, American Postal Workers Union, accompanied by Edward L. Bowley, legislative aide, and Dave Silvergleid, general executive vice president	19	
O'Dea, James L., legislative counsel, National Association of Government Employees	17	
Rademacher, James H., president, National Association of Letter Carriers, accompanied by John Swanson, director of health insurance; Gus Johnson, director, city delivery services; and Joseph Johnson, national business agent	23	
Sadler, Carl K., legislative representative, accompanied by Stephen A. Koczak, director of research, and James Lynch, assistant legislative representative, American Federation of Government Employees	10	
Additional material—		
Report from Civil Service Commission on H.R. 3024, dated May 8, 1974	1	
Copy of H.R. 3024, subject of hearing	5	

(iii)



UNITED STATES CIVIL SERVICE COMMISSION
WASHINGTON, D.C. 20415

CHAIRMAN

May 8, 1974

Honorable Thaddeus J. Dulski
Chairman
Committee on Post Office
and Civil Service
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

We are voluntarily submitting to the Committee our views on H.R. 3024, a bill "To amend the age and service requirement for immediate retirement under subchapter III of chapter 83 of title 5, United States Code, and for other purposes".

H.R. 3024 proposes, among other things, to amend the Civil Service Retirement law as follows:

- Permit immediate retirement when the sum of years of service and age total at least 80 years.
- Change the reduction in annuity of employees under age 55 from the present 2 to 1 percent reduction for each year the employee is under age 55 at the time of voluntary or involuntary retirement.
- Include premium and overtime compensation as a part of pay for deduction and computation purposes.

H.R. 3024 also contains provisions which would permit optional retirement for an employee of an agency undergoing a major reduction in force at age 50 with 20 years' service or at any age with 25 years' service. However, these provisions are similar to provisions recently enacted into law (Public Law 93-39 approved June 12, 1973).

(1)

As already noted, H.R. 3024 would permit optional retirement of an employee or Member of Congress with any combination of age and service totaling at least 80. A related provision would liberalize the reductions applied to certain "early retirement" annuities of employees and Members of Congress who retire before age 55 and 60, respectively. Currently, certain employee annuities are reduced by 1/6 of 1 percent per month for months they are under age 55; and Member annuities are reduced by 1/12 of 1 percent per month for months they are between ages 55 and 60 and by 1/6 of 1 percent for months they are under age 55. The result would be that both groups would have their annuities reduced only by 1/12 of 1 percent per month and only for months under age 55.

The idea of using a combination of 80 years of age plus service, instead of more meaningful age and service retirement tests, would go considerably beyond the present retirement law which provides for optional retirement at or after age 55 with at least 30 years of service, age 60 with 20 years of service, and age 62 with 5 years of service. We believe the "combination 80" and the related liberalization-of-reduction provisions would induce experienced employees with valuable talents who can readily obtain employment outside the Government to leave Federal service at the time of their greatest potential. Conversely, marginal employees who could not readily find outside employment would continue in Federal service.

A further consideration is the current fast-growing interest in the problems of older people, including retirees. One aspect of this interest is expressed in the belief that for the economic good of the country, it is important to utilize the skills and experience of our older citizens rather than to encourage early retirement. Emphasis is also placed on the psychological importance of keeping people engaged in useful work. Persons who subscribe to this belief would find it difficult to understand why the Government, as an employer, should encourage its employees to retire at the peak of their productive capacity.

As indicated previously, H.R. 3024 would include premium and overtime compensation as a part of basic pay for deduction and computation purposes. Public Law 89-737, approved November 2, 1966, provides that premium pay for employees in positions which require them regularly to spend a substantial part of their period of duty in a standby status (5 U.S.C. 5545(c)(1)) shall be considered basic pay for Civil Service Retirement purposes and as annual pay for life insurance purposes. Employees affected are primarily Federal civilian firefighters. Other employees qualify if they receive premium pay for standby time.

The Commission is of the opinion that it would not be in the best interest of the vast majority of employees to include overtime pay in basic pay for retirement and related purposes. There are relatively few employees who work overtime on such a basis as would constitute it a part of their career pattern. For those few employees who do, including overtime in basic pay for retirement and other purposes could be justified on the grounds of making their annuities commensurate with their pay. However, even if a technical distinction could be made between irregular or intermittent overtime and overtime of the career pattern type, employees in the former group, not really understanding all of the implications of the situation, would persistently urge that their overtime pay be included in basic pay for retirement and other purposes.

The majority of employees who work overtime (even some of those performing such work on a career pattern basis) would, if the law were otherwise, be required to make retirement contributions (currently set at 7% of base pay) on their overtime pay but often would not improve their retirement benefits. This is true because most overtime is performed during the early and middle stages of an employee's career, while the highest 3 years of salary used for annuity computation purposes usually come at the end of his career when no overtime is worked because of seniority or promotion to a higher level position.

Conversely, if an employee performs very little or no overtime during his early career, but performs a substantial amount of overtime during his last three years before retirement, his salary for retirement purposes could be distorted to the extent that he would gain a windfall in retirement benefits at the expense of the retirement system. In any event, the take-home pay for most members of the retirement system who work overtime would be reduced without increasing their ultimate retirement benefits.

In some cases, the benefits will be increased because of inclusion of overtime pay in the final average salary. In the future, the additional contributions attributable to overtime pay should offset this cost. However, we cannot retroactively collect contributions on past overtime pay but must provide benefits based on past service. This creates an additional liability, for past service, estimated at \$3.7 billion.

If H.R. 3024 is enacted, we estimate that the unfunded liability of the Civil Service Retirement System would be increased by \$13.2 billion and the normal cost would be increased by 0.96 percent of payroll. Under 5 U.S.C. 8348(f), the bill would be deemed to authorize appropriations to finance the increase in the unfunded liability in 30 equal installments of \$815 million each.

A breakdown of the cost figures for H.R. 3024 follows:

1. Allowing employees to retire after attaining age plus service aggregating at least 80 would increase the unfunded liability by \$8.8 billion (30 annual payments of \$545 million) and increase the normal cost by .88%.
2. A 1% reduction in annuity in lieu of the present 2% reduction for each year the employee or Member is under age 55 would increase the unfunded liability by \$.7 billion (30 payments of \$42 million) and increase the normal cost by .08%.
3. Inclusion of premium and overtime pay as a part of basic pay would increase the unfunded liability by \$3.7 billion (30 payments of \$228 million) but would not affect the normal cost percentage.

In view of the more than \$13 billion cost of the bill, and the other reasons mentioned in this report, the Commission is strongly opposed to H.R. 3024.

The Office of Management and Budget advises that there is no objection to the submission of this report and that enactment of H.R. 3024 would not be in accord with the program of the President.

By direction of the Commission:

Sincerely yours,
Robert Hampton
Chairman

98th CONGRESS
1st SESSION

H. R. 3024

IN THE HOUSE OF REPRESENTATIVES

JANUARY 26, 1973

Mr. WALDIE introduced the following bill; which was referred to the Committee on Post Office and Civil Service

A BILL

To amend the age and service requirements for immediate retirement under subchapter III of chapter 83 of title 5, United States Code, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 *That paragraph (3) of section 8331 of title 5, United States*
- 4 *Code, is amended—*
- 5 *(1) by inserting the word "and" at the end of*
- 6 *subparagraph (A);*
- 7 *(2) by striking out subparagraphs (B) and (C)*
- 8 *and inserting in lieu thereof the following:*
- 9 *"(B) remuneration for service performed as*
- 10 *an employee to whom this subchapter applies;"*

1
D. J. G. (5)

6 SEC. 2. Section 8336 of title 5, United States Code, is
7 amended—

8 (1) by amending subsection (a) to read as follows:

9 "(a) An employee who is separated from the service
10 after attaining an age plus service aggregating at least 80
11 years is entitled to an annuity.";

12 (2) by striking out subsection (b) and redesignating
13 subsections (c), (d), (e), (f), (g), and (h) as
14 subsections (b), (c), (d), (e), (f), and (g), re-
15 spectively;

16 (3) by amending redesignated subsection (c) to
17 read as follows:

18 " (c) An employee who is separated from the service—
19 " (1) involuntarily, except by removal for cause on
20 charges of misconduct or delinquency; or

21 “(2) while his agency, or subdivision thereof, is
22 undergoing a major reduction in force, as determined by
23 the Commission, and who is serving in such geographic
24 areas as may be designated by the Commission;

25 after completing 25 years of service or after becoming 50

1 years of age and completing 20 years of service is entitled to
2 an annuity.”; and

3 (4) by amending the second sentence of redesignated subsection (f) to read as follows: “A Member
4 who is separated from the service after attaining an age
5 plus service aggregating at least 80 years is entitled to an
6 annuity.”.

7 SEC. 3. (a) Section 8339 (d) of title 5, United States
8 Code, is amended by striking out “8336 (e)” and inserting
9 “8336 (b)” in lieu thereof.

10 (b) Section 8339 (h) of title 5, United States Code, is
11 amended to read as follows:

12 “(h) The annuity computed under subsections (a),
13 (b), (c), and (f) of this section for an employee or Member
14 retiring under section 8336 (a), (e), or (f), or section
15 8338 (b) of this title is reduced by $\frac{1}{12}$ of 1 percent for
16 each full month the employee or Member is under 55 years
17 of age at the date of separation.”.

18 SEC. 4. (a) Except as provided in subsection (b) of
19 this section, the amendments made by this Act shall become
20 effective on the date of enactment.

21 (b) The amendments made by the first section of this
22 Act shall become effective at the beginning of the first
23 applicable pay period which begins on or after the ninetieth
24 day following the date of enactment of this Act.

OPTIONAL RETIREMENT WHEN AGE AND LENGTH OF SERVICE EQUALS 80 YEARS

WEDNESDAY, MAY 8, 1974

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
SUBCOMMITTEE ON RETIREMENT AND EMPLOYEE BENEFITS,
Washington, D.C.

The subcommittee met at 9:35 a.m., in room 210, Cannon House Office Building, Hon. John Joseph Moakley (acting chairman), presiding.

Mr. MOAKLEY. The Subcommittee on Retirement and Employee Benefits of the Committee on Post Office and Civil Service will now come to order.

The chairman of the subcommittee, Jerome Waldie, will be unable to be here this morning because of his important assignment on the Judiciary Committee which I'm sure you gentlemen know are holding hearings on some very important matters before them. I will read an opening statement and then we will proceed with the witnesses.

Today the subcommittee will hear testimony on H.R. 3024, which was introduced by Mr. Waldie and is substantially identical to bills which were introduced by Mr. Dominick Daniels, Mr. Dent, Mr. Rooney of Pennsylvania, Mr. St Germain, Mr. Roe, Mr. Hogan, and Mr. Moakley. In accordance with the precedent set by the enactment of Public Law 93-39, to facilitate earlier retirement, H.R. 3024 would increase the opportunities for the voluntary retirement of Federal and postal employees and would include overtime and premium pay for retirement purposes.

Under present law, an employee may retire voluntarily at age 60 with 20 years service or at age 55 with 30 years service. Existing law also permits involuntary retirement or voluntary retirement, while the employee's agency is undergoing a major reduction-in-force, after 25 years of service regardless of age or after 20 years of service at age 50. An annuity, which begins before the retiree has reached age 55 is reduced by 2 percent for each year under 55.

H.R. 3025 would permit voluntary retirement at such time as an employee's or member's age plus length of service aggregates 80. In addition, the reduction in annuity for those who retire before age 55 would be lowered to 1 percent for each year the retiree is under age 55. The bill also provides for the inclusion of overtime and premium pay as "base pay" for deduction and average salary computation purposes.

This legislation would make it more economically feasible for workers with partial disability, or declining capacity or interests, to with-

draw from active service, at some additional cost to the civil service retirement system, but with an overall gain in Government efficiency. In some instances, the present law discriminates against employees who came into Federal service at an early age. Furthermore, this legislation would encourage early retirement to ease the Nation's unemployment problem by making room for new employees, as has been provided for in recent private industry labor contracts.

Although we have not received a cost report from the administration on H.R. 3025, the administration claimed that similar legislation which was considered in the 92d Congress would be extremely expensive. However, this cost may be defrayed by the fact that those employees who choose to retire earlier would receive an annuity based on a lower salary than if the employee had waited for a few more cost of living increases in salary.

In today's hearing we will hear from the various organizations representing Federal and postal employees.

I think you gentlemen know that this committee voted last year 18 to 3 so that this committee is in favor of the concept of this bill, so I think that probably most of your work will probably have to be done before the Rules Committee where they were very difficult to work with last year. So I would hope in view of this that your statements would be submitted into the record and probably make a brief presentation of your existing position.

The first gentleman I'd like to hear from is Mr. Carl Sadler, legislative representative of the American Federation of Government Employees.

**STATEMENT OF CARL K. SADLER, LEGISLATIVE REPRESENTATIVE,
AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES (AFL-CIO); ACCOMPANIED BY STEPHEN A. KOczAK, DIRECTOR OF
RESEARCH; AND JAMES LYNCH, ASSISTANT LEGISLATIVE
REPRESENTATIVE, AMERICAN FEDERATION OF GOVERNMENT
EMPLOYEES**

Mr. SADLER. Thank you, Mr. Chairman.

First, let me apologize for Mr. Webber not being able to be here this morning. I have with me this morning Mr. Jim Lynch on my right, the assistant legislative representative, and Mr. Stephen Koczak on my left, the research director of AFGE, and I will summarize my statement, Mr. Chairman.

The American Federation of Government Employees, representing over 650,000 Federal employees in exclusive recognition units who perform every kind of service for the Federal Government, has a deep and continuing interest in legislation to provide equitable retirement programs to all Federal employees. We feel that dedicated, career employees are due no less than a just retirement system. In the interest of justice such a system must meet the pressures and changing needs of the times.

In our judgment, the very concept of the Federal service involves in itself elements of equitable retirement. We have been gratified that, in our American democratic system, our country has had the good

fortune that national concepts have grown as to what constitutes Federal service, and what constitutes equity.

We have found it noteworthy that this growth in concepts has been reflected most of all in the legislative bodies of our country, especially the Senate and the House of Representatives, which have been especially responsive to new ideas and to changes in our national life.

We are especially grateful to Mr. Waldie for introducing H.R. 3024, a bill which will indeed move toward bringing the civil service retirement system up to date and more in line with the demands of the times.

As you know, the present law provides for voluntary retirement at age 60 with 20 years' service or at age 55 with 30 years' service. Annuities are pursuant in the case of involuntary retirement after 25 years' service, regardless of age, or after age 50 with 20 years' service. The annuity is reduced by 2 percent for each year the employee is under age 55.

We feel that it is in the interests of all employees that the retirement system be made more equitable with regard to age and time limitations by passing H.R. 3024. H.R. 3024 changes section 8336, title 5, United States Code, to allow employees whose age plus length of service aggregates the sum of at least 80 years' entitlement to an annuity.

Many employees would like to be able to retire while their health allows them to enjoy life more fully. Many need to undertake pursuits of a less taxing nature than full-time employment. Allowances for early retirement would also provide positions and help to alleviate the pressures of the great influx into the labor market of persons out of our high schools and colleges. For these reasons AFGE believes that H.R. 3024 will provide many productive changes in the retirement system and we fully support these provisions.

An important question that arises concerning H.R. 3024 is: How much will the program cost?

Unfortunately, the answers to this question are usually restricted to how much the retirement program will cost the Government. According to an estimate, this legislation would increase the "normal cost" of the system by approximately 1 percent of the payroll, and the unfunded liability by approximately \$8.8 billion.

However, according to data obtained from the CSC, the retirement fund in 1973 received \$7.61 billion in contributions from employees and agencies. This figure also includes interest and service credits. The amount of cash payments to employees, including annuities, refunds, and lump sum payments totaled \$4.59 billion. After subtracting the cash payments to employees from the amount paid into the fund there is a remainder of \$3.02 billion.

Back in June of 1973, we were told that a gap of 0.9 percent—nine-tenths of 1 percent—between the annual income of the fund and the future contingent liabilities on behalf of current employees existed. Consequently, AFGE feels that the 0.9 percent overpayment is more than sufficient to cover the additional benefits of this bill.

Parenthetically, I believe it would be an "eye opener" to your subcommittee to ask the Civil Service Commission what the present prac-

tices of the Department of Defense are costing in terms of unfunded liability. You are aware that the Department of Defense has been resorting to retirements worldwide in its RIF programs based on 50 years of age and 20 years of service. In short, the Department of Defense, with the consent of the Civil Service Commission, has been operating an accelerated aggregate 70 retirement system. Now the Department of Defense employs only about half of all Federal employees; that means the other half of the Federal employees have been subsidizing this interim aggregate 70 system.

Another consideration which deals with costs more indirectly is the morale and recruitment factor. Employees with less service often leave the Federal service for other jobs because higher positions are kept by employees who cannot retire. This discourages effort and initiative, and in the long run costs the Government.

The fact is, that when regarded from the standpoint of total costs and total savings, such an accelerated retirement program would cost little, if anything at all. In fact, it might even show savings.

We understand that H.R. 3024 amends section 8331 of title 5, United States Code, by allowing all overtime and shift differentials to be added to "basic pay" for computation of the employees retirement annuity. This action would increase the base used in figuring retirement benefits thereby raising the retirement rate for employees who work long and unusual hours. AFGE endorses this increased benefit to devoted employees who dedicate many hours over and beyond their normal working schedules.

Moreover, we feel that the provision for the inclusion of premium pay in "basic pay" is a long needed element in the retirement system. Individuals who work unusual and irregular hours are in great need of a more beneficial retirement system due to the very nature of their careers.

While we support the change in age and service limitations and the inclusion of premium pay in "basic pay" contained in H.R. 3024, we object to the provision for a reduction in annuity for those who retire while under age 55. We feel that such a penalty for retiring in advance of age 55 is uncalled for. Retirees under 55 would, in effect, be helping to vacate very much needed jobs and therefore making a great contribution to the general welfare. Furthermore, under the 80-year formula, their length of service would be as long and probably longer than that of some of their counterparts. A reduction in their annuity simply because of their lower age is inequitable and unjust and we feel that H.R. 3024 would be vastly improved if this provision found in section 3 were eliminated.

In recent years many Federal agencies have undergone reductions in force in economy efforts. This fact makes the provision, found in H.R. 3024, for entitlement to an annuity after 25 years' service—regardless of age—or at age 50 after 20 years' service by employees whose "agency is undergoing a major reduction in force, as determined by the Commission" most relevant and worthwhile.

However, we would like to reiterate our suggestion that you consider amending this bill to eliminate any reduction in annuities for those retiring under age 55 in RIF situations. Considering the fact that such an employee who is retiring in a RIF situation is indeed

protecting another person's job, it seems to me that he is performing a service to his fellow employee—and indeed the general economy—and that being forced to suffer a reduced annuity is totally unwarranted and may lead to his not choosing or even being financially able to retire.

In summary, I would like to express AFGE's full endorsement of the provisions in H.R. 3024 that allow employees to retire when their age and length of service aggregate the sum of 80. We see this change in the retirement system as a step toward alleviating many of the pressures now involved in our labor force and our economy. Also we believe that the very nature of our society has changed in such a way that the present retirement system should be modernized.

AFGE feels that with the exceptions previously mentioned H.R. 3024 is a most productive and timely bill.

Mr. MOAKLEY. Thank you very much, Mr. Sadler.

The next gentleman is the president of the National Federation of Federal Employees, Mr. Nathan T. Wolkomir.

STATEMENT OF IRVING I. GELLER, GENERAL COUNSEL FOR THE NATIONAL FEDERATION OF FEDERAL EMPLOYEES

Mr. GELLER. My name is Irving I. Geller. I'm general counsel for the National Federation of Federal Employees. Dr. Wolkomir could not attend this hearing, and with the committee's wish to expedite the hearing we would like to submit our prepared testimony for the record; however, I would like to make a few remarks and comments concerning this.

Mr. MOAKLEY. Without objection.

Mr. GELLER. We do endorse the bill. However, we are concerned about the reduction in annuity provided for those people who retire at an age below 55. We think the cost of the bill, if adopted, is somewhat exaggerated and not properly equated with the reductions in expenditures that will result from these early retirements.

The Office of Management and Budget has a policy which agencies are following rather diligently which commits them to hire people at lower grades than those that are vacated, and in the process, assuming people leave the Government based on the adoption of this bill, the Government in its overall expenditures will effect economies.

Now we don't approve of the grade deescalation program the Office of Management and Budget advocates but it is a reality of life and the Civil Service Commission as well is encouraging agencies to identify grades at a lower level than those for which people occupy. There is an important sociological concern and that is for those large number of employees who are affected by the grade reduction program or who serve in dead-ended jobs who are just putting in time, so to speak. The agency would be happy if they would leave. The morale of these employees is demoralized. This would be a rather pragmatic way of resolving these bad feelings that exist both between the management which would like to see the employee retire and the employee who would like to retire because of the limitations in their career development.

Further, many agencies are adopting rather onerous promotional plans which require an employee to move about the country in order to advance in their career. This, again, is a burden which many employees do not want to bear and we think this is a poor program, that it has resulted in the advancement of mediocre employees. However, with the adoption of the combination 80 bill, without the reduction of the 1 percent in the annuity calculations, I think Congress and this committee can make a very important contribution to the improvement of the personnel management as well as to effect really an economical approach to the Government expenditures.

And I stand ready to answer any questions you may have on our testimony or the remarks I have made.

Mr. MOAKLEY. Mr. Geller, do you know of any negotiation in the private sector that encompasses the change in retirement such as this bill does?

Mr. GELLER. Well, I know that there are many municipalities and State agencies, particularly the State of New York and the city of New York, which has adopted a 55-year retirement program without the substantial contributions that Federal employees make, and there are some of the bigger private concerns in which there are no contributions made who permit an early retirement program.

Mr. MOAKLEY. Would you happen to have any of the names of those firms?

Mr. GELLER. No. I would be happy to submit those to the committee at a subsequent date.

Mr. MOAKLEY. Would you, please. Thank you very much and thank you for your testimony.

[Complete statement of Mr. Nathan T. Wolkomir follows:]

STATEMENT OF NATHAN T. WOLKOMIR, PRESIDENT, NATIONAL FEDERATION OF FEDERAL EMPLOYEES

Mr. Chairman and Members of the Subcommittee, I am Nathan T. Wolkomir, President of the National Federation of Federal Employees, the pioneer Federal employee union and the largest independent union in the Federal service.

Mr. Chairman, I am always especially interested and concerned, and appreciative of the opportunity, of testifying on retirement legislation. The first major piece of legislation successfully sponsored by the NFFE was the original Federal Retirement Law of May, 1920. For more than 57 years, official spokesmen for the NFFE have been appearing before Congressional Committees in support of progressive Federal retirement legislation.

The bill under consideration here today, namely, H.R. 3024 qualifies without quibble or question for the designation of "progressive."

The sponsors of this bill, as well as the other Members of the Committee, and other Members who have sponsored related bills, are to be commended for their interest in seeking the enactment of these measures.

The introduction of these bills indicates very clearly and emphatically recognition of the fact that especially at this time the need for liberalization of the retirement law has become a very urgent imperative.

H. R. 3024 with its so-called "80 formula", liberalizing retirement for employees caught in a major reduction in force . . . has the strong support of the NFFE. We urge favorable action both here and in the Congress at this session.

The bill represents major objectives on the NFFE Program of Progress. It is designed, however, not only to benefit the employees but I am confident that it represents the kind of legislation which is very much in the public interest and in the interest of a sound Government service.

That has been true over a long period of years. But it is even more graphically true today than ever before in view of the whole national economic picture. Moreover, equity to employees requires that in a period of radical, drastic readjustment in the Federal service—in which literally thousands of faithful, dedicated employees are impacted by reorganizations, transfers of functions, reductions-in-force and increasing contracting out—that steps be taken to cushion the impact upon them, upon their families, and upon the communities in which they live.

These measures, which are very much in line with progressive actions taken in the area of retirement in the private sector, would be a long step forward in that right direction.

With respect to optional retirement after 30 years of service regardless of age, as the Committee is aware, numerous bills to accomplish this wholly desirable and progressive objective have been introduced over a long period of years. The arguments in support of it are unassailable. Indeed, since one result undoubtedly would be to open up certain positions to younger employees, the intransigent opposition of the Administration is difficult to fathom.

I would like to state also, Mr. Chairman, in connection with our support of these measures, that over the years the NFFE has been zealous (some few have even occasionally accused us of over-zealousness) in our determination to strengthen the Federal Retirement System and to accord our support to no proposal which, however sincerely motivated, could in our judgment tend to weaken, undermine, jeopardize, or otherwise impair the integrity of the system. For that reason from time to time we have opposed measures which in our considered view would be contrary to the best interests of the Government and its retirees and their families . . . even though some such measures may have had rather wide immediate and surface appeal. What I am saying is that our primary concern at all times has been not only to see progressive legislation enacted . . . but legislation which is well conceived and which would be in consonance with sound fiscal policy vis-a-vis the Retirement Fund.

Mr. Chairman, we believe that the bill under consideration here today rates approval on all vital counts, and we make this assertion on the basis of our careful, analytical appraisal of the entire Federal retirement issue and currently related matters already discussed herein.

H.R. 1266 was introduced previously by the Honorable Dominick V. Daniels (D., N.J.). Congressman Daniels, long a champion of equity was then Chairman of this Committee, and should also be commended for his efforts. His aim to modify the age and service requirements to facilitate the opportunities for voluntary retirement, has for many years been part and parcel of our "Program of Progress."

Present retirement law provides for retirement at age 60 with 20 years' service and age 55 with 30 years' service.

The bill would modify the age and service requirements by allowing an employee to exercise the right to retire from Federal employment, on an immediate annuity, at such time as the sum of the years, months, and days of his attained age and length of creditable service aggregates at least 80 years.

The bill would also permit the optional retirement of employees, during an involuntary separation, a major reduction in force in a department or agency, under the existing involuntary retirement provisions of the civil service retirement law—25 years' service or, after becoming 50 years of age, with at least 20 years' service. (A similar provision was formerly embodied in H.R. 9308 whereas H.R. 3592 employed both the 30-year amendment and the 62/5, 60/10 year formulas).

Finally, the proposed bill would lower the reduction in annuity under section 8336 or 8338(b) by reducing 1/12th of 1 percent for each month the employee is under age 55 at time of either voluntary or involuntary retirement.

Preliminary estimates indicate additional unfunded liabilities of \$12 billion. Normal cost would increase by approximately 1 1/4 percent in accordance with advance information received from the Civil Service Commission.

The Administration opposes this legislation, but we question its cost analysis.

In addition, H.R. 3024 provides equity for the long-service employee who due to no fault of his own is subject to a reduction in force and then is boxed into the situation of losing his only source of livelihood and restricted by age require-

ment and law to voluntarily retire. Even the Administration is aware of this injustice and endorses "early out" recommendations on a crisis by crisis basis. It is surprising however that cost factors become unknown and unused on those occasions. That policy is hindsight not foresight!

The NFFE, as I have stated, strongly urges enactment of these measures. At the same time, I bespeak the indulgence of the Committee to place on the record, at least in brief, our view that the time has come for a fuller consideration of and action on a wider range of proposals which we put forward to update, improve, liberalize, and strengthen the Federal Retirement System. We certainly do not believe that enactment of the pending measures should wait upon comprehensive omnibus retirement legislation, but we do very strongly feel that it would be in the national interest for the Committee to take under close and careful advisement the desirability of a multi-faceted legislative approach to the many aspects of the Federal retirement law which need either some basic revisions or, at the very least, some knowledgeable tidying up.

Mr. Chairman, we are, of course, glad to see that equitable provisions are incorporated in the subject bill. The NFFE favors the principle of equal treatment for all Government retirees and their survivors based upon equal service regardless of the date of retirement. The rights and benefits were partially equalized for our senior citizens, those who retired prior to 1968 both with respect to their own annuities and their survivors' annuities by Public Law 93-273. Thanks to you Mr. Chairman and the Members of this Subcommittee. We also urge the enactment of legislation exempting annuities under the Civil Service retirement laws from Federal and State income and inheritance taxes. We cite in outline form below the overall improvements in the Civil Service Retirement System proposed by the NFFE, all of which we feel are urgently needed.

At the NFFE biennial national convention in September, 1972, our position in support of these proposals was overwhelmingly approved. In this connection, I may point out that of the many resolutions presented to that convention, the subject drawing the largest single group of resolutions was retirement, indicative of the employees' great interest in this issue. I am sure that you, Mr. Chairman, and Members of the Subcommittee, already have heard from many of our Locals and individual members, evidencing their deep interest and concern in improvements in the Civil Service Retirement System. The National Federation of Federal Employees regards liberalization in Federal retirement benefits as absolutely essential if the Government wishes to recruit and retain qualified personnel now and in the years ahead. This is most essential considering present trends to politicize and contract out many merit system career positions. The NFFE proposals for broad improvement of the retirement system are outlined in a 11-point program:

1. Government employees be permitted the option of retirement at full annuity after 30 years of service regardless of age.
2. The enactment of legislation to obtain a calculation factor in the annuity formula based on actual high three aggregate salary rather than base pay.
3. Enactment of legislation permitting a married employee retiring from service to provide for his widow or widower without a deduction from his annuity.
4. The accumulative total contribution made by each employee to the Civil Service Retirement Fund be reported to each contributing employee on an annual basis.
5. Enactment of legislation to grant optional social security coverage with the retention of the Civil Service Retirement System as a separate entity.
6. Upon the death of a female employee, the dependency clause on a survivor annuity to the widower be eliminated.
7. The enactment of legislation exempting annuities under the Civil Service retirement laws from Federal and State income and inheritance taxes.
8. When the survivor annuitant predeceases the retiree, the full annuity be restored to the retiree.
9. That procedure be developed between the Civil Service Commission and the Federal agencies whereby an application for retirement may be sufficiently ahead of the effective date so that payment of annuities will actually begin on the first day of the month following the specified date.
10. In addition to the foregoing, the rights and benefits should be equalized for those who retired prior to July 18, 1968 with those who retired on and after

July 18, 1966 both with respect to their own annuities and their survivor annuities. An equalization should also be made in the annuities of those who retired prior to October 11, 1962 and who elected a reduced annuity in order to provide a survivor annuity for a spouse. If legislation to cover the foregoing cases were enacted it would afford no greater rights and benefits than those who retired on and after July 18, 1966. It is fair and equitable to accord similar rights and benefits to these earlier retirees.

11. Full service creditation to National Guard Technicians for their service within the National Guard prior to January of 1969.

Mr. Chairman, the NFFE is grateful to you and to the Members of the Subcommittee for your constructive interest in the areas covered by this measure. While we have made certain suggestions which we earnestly believe improve the proposed legislation, I wish to make it quite clear that the NFFE is appreciative of the great amount of work which has gone into the preparation of this legislation and, of paramount importance, the motivation of the legislation, which is considerate of the interests of the Federal employees, the Government, and the public interest as a whole.

I should like to emphasize also that there is an urgency about this matter which we hope will be taken into full account by both Houses of Congress and by the Administration. There is a no more important aspect of employee-management relations than the character of a retirement system to which employees, and their families can look forward. We must bring the Civil Service Retirement System up to date—completely up-to-date in all respects—if it is to fully benefit not only the employees but the Government and the people of this country.

A substantial increase in present annuities depending upon the amounts received should be granted to retirees and survivors. I am certain that they appreciate the one percent added to the cost of living increase as provided in recent legislation. There are retirees and survivors now living on less than subsistence incomes. The Subcommittee should consider increasing the one percent addition to the cost of living increase.

It is our hope that the proposed legislation now under consideration will be passed in this session. Early action would, in our judgment, have far-reaching beneficial effects, morale-wise as well as in the other practical advantages which this legislation would provide. Many employees will make important decisions regarding their retirement plans as a result of the proposed measure, if enacted.

Mr. Chairman, it is respectfully urged that our views be carefully considered. I appreciate the opportunity to have presented them in behalf of the NFFE.

Mr. MOAKLEY. The next gentleman we will hear from is Mr. James O'Dea, legislative counsel, National Association of Government Employees.

**STATEMENT OF JAMES L. O'DEA, LEGISLATIVE COUNSEL,
NATIONAL ASSOCIATION OF GOVERNMENT EMPLOYEES**

Mr. O'DEA. Thank you very much, Congressman Moakley.

The National Association of Government Employees is the largest independent public sector union in the United States, and as such, has long been in favor of improving the retirement program for Federal employees.

We have a prepared statement for the record so I will briefly summarize what I have to say.

We are very much in favor of this legislation. We feel that the age/service retirement provision of this nature will open up employment for younger employees, allowing many employees who would like to retire to do so at this time. It would also give greater opportunity for upward mobility, increasing morale and improving efficiency of the work force.

At the same time it does not require an older employee to leave his job. The person who is able to comply with the job requirements may

stay in his particular occupation and provide service for the Government and give him something to do. If the man is capable or interested in second employment he can stay with the Government. He doesn't need to take this retirement and his retirement will increase as it goes along.

We are very much in favor of the combined "80" formula. We are very much in favor of the premium pay being added to the computation. However, we would request that the committee take a look at H.R. 2 which is before the House Committee on Education and Labor which provides for private sector employees, and allows for vesting. There are several different provisions in H.R. 2 as amended by the Senate and as presented to the House. One would provide for partial vesting at 5 years, 10 years and full vesting at 15 years. The others provide for full vesting after 10 years of service; and another providing for 50 percent vesting after the employee reaches 45 years of age and 10 percent a year thereafter up to 100 percent. At a time when the private sector is finally being required to insure pension benefits the Federal Government can do no less.

At the same time that NAGE proposes this vesting it must oppose any reduction in annuity based upon the arbitrary age of 55. Although we are in favor of the greater part of this legislation that both you and Chairman Waldie and others have introduced, we would request that they eliminate the one-twelfth of 1 percent per month reduction in the employees annuity for each month the employee is below age 55 at retirement. I feel that's a discriminatory act and an arbitrary choice of age and it really discriminates against a person because of age, which is against the spirit of the Fair Labor Standards Act.

We also request that the multiplier presently adjusted 1 1/2 percent, 1 3/4 percent and 2 percent be made a blanket 2 percent to provide more equity.

In closing, I would like to thank you very much for this opportunity to testify.

Mr. MOAKLEY. Thank you very much, Mr. O'Dea.

[The complete statement follows:]

STATEMENT OF JAMES L. O'DEA, LEGISLATIVE COUNSEL, NATIONAL ASSOCIATION OF GOVERNMENT EMPLOYEES

Mr. Chairman and Members of the Subcommittee, the National Association of Government Employees is the largest independent public sector union in the United States. We have long been in favor of legislation that would provide some more reasonable retirement benefits for those employees of the Federal Government covered by Title 5, Section 8331 *et al* than they presently receive. The benefit to both the employee and the Government are myriad, especially in light of recent legislation whereby the FLSA applies to Federal Employees. This legislation provides for a limited "vesting" and does not specifically discriminate against employees due to age. There is, of course, a need to establish some age certain when retirement must be taken but it is a more equitable system to allow employees to retire over a reasonable period of time based on age and time in service and also to allow those employees who got a later start to still receive benefits in their retirement years.

In addition, this opportunity for older employees to retire will often cause the labor market to open for younger employees as well as giving greater opportunity for upward mobility, increasing morale and often improving efficiency of the work force.

A younger man is more likely to take an active interest in a career that seems to provide a real future for him. The present policy of allowing so-called early retirements only in time of RIF does not lead to increased employee morale and efficiency. The features of Chairman Waldie's bill would make Federal service more attractive to many employees. Those who feel the interest and have the ability to continue working past their "80" total could, in most cases; while those who did not have one or the other could retire at a reasonable rate thus opening up, as earlier stated, the job market.

Although we wholeheartedly support the principle of this bill, we would propose some additional sections. There are no time vesting aspects of the legislation before the committee except as the law now reads in regards to RIF's where there are rights after twenty years. NAGE proposes vesting after five (5) years of either all or a percentage of the credits earned at that point. This latter approach is the one used by the Senate Committee on Education and Labor in S. 4200 Sec. 221 (now H.R. 2 as amended by the Senate) for private sector employees. It provides for 25% of credits earned vesting at five (5) years of service up to 100% at fifteen (15) years. The original House version of H.R. 2 in Section 203 (still alive) gave three vesting options: the one above; S. 4200, Sec. 221; one providing for 100% after ten (10) years; and another providing for 50% vesting after the employee reaches 45 years of age and 10% a year thereafter up to 100%; i.e., at age 50. At a time when the private sector is finally being required to ensure pension benefits the Federal Government can do no less.

At the same time that NAGE proposes this vesting it must oppose any reduction in annuity based upon the arbitrary age, 55. H.R. 3024 proposes a reduction of 1/12 of 1% per month in the employees annuity for each month the employee is below age 55 at retirement. This is not as bad as the 2% in effect for involuntary retirement but it is still reverse age discrimination because an employee started Government service at a younger age and stayed on to age 50 to 54 and is now ready to retire. This proposal then seems both unfair and unnecessary. If an employee is doing a good job and enjoys his work he will very probably stay on through age 55 but he should not be required to.

In conclusion, let NAGE say that we wholeheartedly endorse all legislation that would provide for this combination "80" retirement. We would, of course, prefer the amendments we have suggested as well as the change of multiplier to 2% for all years as has often been proposed previously just as the decrease in annuity under age 55 has been denounced.

Mr. MOAKLEY. The next gentleman we will hear from is Mr. Pat Nilan, legislative director, American Postal Workers Union.

**STATEMENT OF PATRICK J. NILAN, LEGISLATIVE DIRECTOR,
AMERICAN POSTAL WORKERS UNION, ACCOMPANIED BY
EDWARD L. BOWLEY, LEGISLATIVE AIDE; AND DAVE SILVER-
GLEID, GENERAL EXECUTIVE VICE PRESIDENT**

Mr. NILAN. Thank you very much, Mr. Chairman, and we would be delighted to cooperate with the committee in submitting our statement for the record and making a few comments.

Mr. MOAKLEY. I know you gentlemen have a lot of work to do and I think your main attention should be turned on the Rules Committee.

Mr. NILAN. I am delighted to be here with our legislative aide, Mr. Edward Bowley, and also Mr. Dave Silvergleid, our general executive vice president, and we do suggest for the record that similar legislation has really been pending before the Congress since 1970 when our good friend, Congressman Daniels, first introduced such legislation. So we feel it is long overdue.

We do have one reservation about the legislation, Mr. Chairman, which gives us great concern. That is the inclusion of premium pay,

overtime pay, night differential, as I understand it, for retirement purposes. Our concern is that as far as the postal worker is concerned it's true that while in his younger years they do work overtime and receive night differential and other shift differential premium pay. However, since retirement benefits are based on the high 3 years of average salary for computation purposes we believe that the average postal worker will have 30 or 35 or 40 years of service at time of retirement and frankly they're going to be working minimal overtime and no night differential because they will be senior enough to generally have daytime jobs. So we question whether it's in their best interest to be paying the 7 percent contribution to the retirement fund for 30, 35 or 40 years on any overtime or night differential they might have earned and then, during their last 3 or 4 years when they would no longer be working overtime or night shifts and therefore no extra pay would enter into the computation of their final annuities and they would receive no increase in their annuities.

So, Mr. Chairman, we suggest the committee review this provision of H.R. 3024 very carefully and consider whether that provision perhaps should be deleted insofar as postal workers are concerned.

Also, Mr. Chairman, we join with our other sister organizations in opposing any reduction in annuities for those retiring under age 55. We point out on page 4 of our statement a number of cities in which we refer to the Municipal Finance Officers Association Committee report and which demonstrates that there is a substantial trend toward earlier retirement in the public sector. So we do urge the committee to take that into account.

Finally, Mr. Chairman, we would like to point out that H.R. 9257 which this committee reported and the House voted on favorably last July recognized in effect that approximately 0.9 of 1 percent of payroll was in excess of the funds needed to provide existing retirement benefits. Our union did not support the legislation at that time because we felt that that percentage of additional income would be better used to extend employee benefits rather than reduce the contribution rate. Quite frankly, we were and are vigorously opposed to the Civil Service Commission being granted the right to adjust rates at their own discretion even though there was some provision for congressional oversight. We suggest that H.R. 9257 which is presently pending before the Senate Post Office Committee that no final action be taken on this legislation.

To be quite honest with you, the nine-tenths of 1 percent or whatever the exact amount might be better used to finance improved retirement benefits and certainly this legislation, H.R. 3024, with the amendments we have suggested or with even a temporary solution being optional retirement with 30 years of service regardless of age, assuming the combination 80 bill may not be the final measure to come out of the committee.

We do appreciate the interest by yourself, Mr. Moakley, and the members of the committee, in this regard and hopefully we will look forward to early action by the committee.

Mr. MOAKLEY. Thank you. I think you realize that Congressman Daniels on his bill does delete that overtime provision.

Mr. NILAN. We had talked to Congressman Daniels about it and we appreciate his bill.

Mr. MOAKLEY. But it would be true in the post office.

Mr. NILAN. As far as the postal workers we represent, we would support Congressman Daniel's bill.

Mr. MOAKLEY. Thank you very much for your presentation.
[Complete statement follows:]

STATEMENT OF PATRICK J. NILAN, LEGISLATIVE DIRECTOR, AMERICAN POSTAL WORKERS UNION (AFL-CIO)

Mr. Chairman and Members of the Subcommittee, for the record, I am Patrick J. Nilan, National Legislative Director of the American Postal Workers Union (AFL-CIO) with offices at 817—14th Street, N.W., Washington, D.C. I am very pleased to appear before the Subcommittee this morning with our Legislative Aide, Edward L. Bowley, and General Executive Vice-President, Dave Silvergleid, as we present our testimony concerning H.R. 3024, which proposes to amend the Civil Service Retirement Act.

We speak in behalf of more than 400,000 postal employees, for whom we are the Exclusive National Representative for labor-management relations and collective bargaining with the U.S. Postal Service. Our membership is employed in post offices in all 50 states, the District of Columbia, Puerto Rico, Virgin Islands and Guam.

The American Postal Workers Union (AFL-CIO) wishes to take this opportunity to commend you, Mr. Chairman, and members of your Subcommittee for scheduling hearings on a matter which is of considerable importance to all Federal employees.

We believe H.R. 3024, a bill that will amend the age and service requirements for immediate retirement under the present retirement act, should receive top priority by the full Committee with every effort to enact the bill in the 93rd Congress.

Mr. Chairman, we also want to express our appreciation to the gentlemen from New Jersey, Mr. Dominick Daniels, and Maryland, Mr. Lawrence Hogan, distinguished members of the House Post Office and Civil Service Committee for introducing H.R. 437 and H.R. 9886 respectively. Other of your colleagues who have introduced identical bills are also commended for their actions by the American Postal Workers Union. They are Mr. Dent (Pa.), H.R. 5494; Mr. Rooney (Pa.), H.R. 6611; Mr. St Germain (R.I.), H.R. 8504; and Mr. Roe (N.J.), H.R. 8937.

H.R. 3024 provides:

An employee who is separated from the service after attaining an age plus length of service aggregating at least 80 years is entitled to an annuity.

An employee who is separated from the service—(1) involuntarily, except by removal for cause on charges of misconduct or delinquency; or (2) while his agency is undergoing a major reduction in force, as determined by the Commission; after completing twenty-five years of service or after becoming fifty years of age and completing 20 years of service, is entitled to an annuity.

Reduction by 1/12 of 1 percent for each full month the employee is under 55 years of age at the date of separation.

The American Postal Workers Union endorses these principles of H.R. 3024, but opposes any reduction because of age at the date of separation.

We are grateful for any improved benefits such as those proposed in H.R. 3024. However, we believe a combination of 80 years' service and age justifies a full annuity. We also seek such provisions as:

Elimination of all deductions for widows' and dependents' annuities as presently proposed in S. 628.

Extension of all benefits to former employees now on the retirement rolls.

All salary increases to be immediately reflected in the retirement benefits to all annuitants.

Tax exemptions for all annuitants.

In addition to the above, Congressman Frank Brasco, also a distinguished member of this Committee, introduced H.R. 3930, a bill that would permit op-

tional retirement after 20 years of Federal service with 50% of an annuity. The American Postal Workers Union strongly supports this bill.

The membership of the American Postal Workers Union has designated earlier retirement legislation and particularly, a 20 year optional retirement opportunity as a "Paramount Legislative Goal" of our union. This is significant in view of re-assignment and relocation of postal workers in recent years (and it may continue indefinitely) as the result of operational and mechanized changes within the U.S. Postal Service.

We should like to point out that the U.S. Postal Service continues to face major difficulties in attracting and retaining desirable personnel in many areas of the country. H.R. 3930 would also, in our opinion, go a long way in helping to reduce the staggering numbers of unemployed in this nation.

Retirement benefits which were formerly an important factor in mitigating the recruiting problem of the postal service, now loom as much *less* meaningful in view of increasing comparable and better retirement systems in the private sector—in many instances with no cost to employees. New York City for example, provides its employees with the same provisions outlined in H.R. 3930.

In addition, based on a sample prepared by the Municipal Finance Officers' Association Committee on Public Employees Retirement Administration (AFCSME), the following municipal and county employees have similar retirement programs:

Baton Rouge, La.—Normal retirement for after 30 years of service: age 55 with 25 years of service, or age 60 with 20 years of service.

San Diego County, Calif. Early retirement, 30 years of service or age 50 with ten years of service.

Detroit, Mich.—Early retirement, 25 years of service.

Los Angeles, Calif.—Early retirement, 30 years of service or age 55 with ten years of service.

Miami, Fla.—For early retirement, 20 years of service.

Hawaii.—Early retirement for after 25 years of service.

Where the Committee refers to "NORMAL" retirement, an employee draws his full annuity and where the reference is made to "EARLY" retirement, there is an annuity reduction based on a flat percentage or by actuarial determination. In any event, the American Postal Workers Union opposes any reduction to an employee annuity as long as he has 20 or more years of satisfactory service.

As a postal union representing employees who have a considerable stake in the Civil Service Retirement System, we are deeply concerned with the need for many improvements in the system and know that the members of this Committee share those concerns.

We submit that when a Federal employee has concluded 20 or more years of dedicated and loyal service, he or she should be given the opportunity to retire optionally, without any reduction in the annuities which they have so richly earned.

We make a special plea on behalf of retirees. The fact is that the nominal value of annuities has consistently dwindled in practice, due to the steady increase in the cost of living, increases which have never been properly offset over the past years. We believe that the Government should assure equal annuities for all retirees and survivors, based on equal service regardless of the date of retirement of the employee. While past legislation attempted to accomplish nominal comparability in salary for active employees, no such comparability is assured retirees.

A large number of retired workers now receive monthly benefits below \$200. More than 50% of all eligible survivors receive less than \$100 a month. The present cost-of-living formula for adjustment of dollar benefits operates so that annuitants must necessarily be deprived of many necessities while costs are increasing. When they receive a cost-of-living increase, it is not sufficient to pick up the slack for expenditures they have incurred while living costs were going up.

Mr. Chairman and Members of the Subcommittee, may we express our sincere appreciation for your interest in seeking a proper solution to the inequities presently in existing law, and for this opportunity you have given us to express our views on behalf of the more than 400,000 postal employees represented by the American Postal Workers Union (AFL-CIO) employed in Post Offices through-

out the United States and possessions thereof. We will be happy to respond to any question you may have concerning our testimony. Thank you.

Mr. MOAKLEY. The next gentleman we will hear from this morning is Mr. James Rademacher, National Association of Letter Carriers.

STATEMENT OF JAMES H. RADEMACHER, PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS, ACCCOMPANIED BY JOHN SWANSON, DIRECTOR OF HEALTH INSURANCE; GUS JOHNSON, DIRECTOR, CITY DELIVERY SERVICE; AND JOSEPH JOHNSON, NATIONAL BUSINESS AGENT

Mr. RADEMACHER. Thank you, sir. In keeping with your desire for brevity and still making the point, I'd like to briefly state that I'm the president of the National Association of Letter Carriers and that on my left is the director of our health insurance who knows about the number of people who are retiring these days for reasons of ill health, Mr. John Swanson. On my right, Mr. Gus Johnson, the director of our city delivery service; and on my far right, Mr. Joseph Johnson, national business agent for this area.

We would respectfully request that our entire statement be included in the record.

Mr. MOAKLEY. Without objection.

Mr. RADEMACHER. I think that the significant point in this statement relates to the tremendous number of people who leave the Government service after once entering before the time of retirement. I believe that this unusual figure has not been brought to the attention of the Congress before and I truly believe that it is costing the Federal Government and the civil service fund considerable moneys.

So if we begin on page 8, if you will, the process of aging is a very personal thing and should be observed on an individual basis. Obviously a man or woman who is washed up at 45 years old is not doing the Federal service any good by working another 20 years before retiring. The quicker such a person can retire with dignity and reasonable security, the better for all concerned.

There is another point I would like to stress here. According to Civil Service Commission figures, it very well may be true that 25-year retirement at any age will be only half as expensive to the Government than the "magic 80" retirement formula.

The Civil Service Commission authorities estimate there are 186,000 Federal employees eligible for immediate retirement under the present system.

Under the 25-year retirement regardless of age, the number of Federal employees eligible would rise to 223,000.

But under the "magic 80" formula, 373,000 Federal employees would be eligible to retire, and it is estimated that 13 percent would exercise their option immediately.

The average entrance age under the retirement system today is 31 years—a fact which lends considerable weight to the statistics I have just mentioned.

Mr. Chairman and members of the committee, I know some people look with horror at the idea of a noncontributory retirement program. They feel its cost would be out of sight. But, such people are quite mistaken.

The Civil Service Commission, in April of last year, analyzed the major employee benefit programs—including retirement—of six major private employers and five major public employers.

All the major employers, and one of the public employers, conduct retirement programs without asking the employee to contribute anything. They were the Pacific Gas & Electric Co., IBM, General Motors, Du Pont, Aetna, U.S. Steel and New York State.

The public employers analyzed who do insist upon employee contributions were Georgia, Michigan, Wisconsin, and the city of Baltimore—none of these public employers were deducting as much from their employees' pay as is the U.S. Government from its employees.

Mr. Chairman and members of the committee, you will remember that in June of 1972 Postmaster General Klassen announced a policy which would (1) permit optional retirement of all postal employees who are 50 years of age and had 20 years of service or (2) have 25 years of service at any age.

This program was undertaken in the interest of economy and involved no coercion on the part of management. Naturally, we did not oppose the program, though we did make numerous constructive suggestions which would make it more palatable to the workers. Some of the suggestions were adopted.

There was no great scramble for the exits. As I remember, less than 2 percent of the work force chose to take advantage during the first 3 months. It was an orderly egression.

If the U.S. Postal Service could do this in 1972 in the interest of economy, why do they feel they cannot let employees opt for early retirement now?

In short, Mr. Chairman, we support the "magic 80" formula if there is no more generous alternative available. We seek 25-year retirement without contributions from the employees. Our members are even asking 20-year retirement. We know the realities of the situation; all we ask is that our members get the very best the traffic will bear—and I am convinced the traffic will bear a great deal more than it is bearing right now.

Once again, Mr. Chairman and members of the committee, thank you for your courtesy and your helpfulness in asking us to testify before you and state our hopes and our preferences. We are very grateful for what you have done in the past and for what you are trying to do now.

And now I would be happy to try to answer any questions you might have.

I might just conclude by stating that there is a great demand today among our membership for early retirement. In fact, where wages previously had the priority, today the talk in the entire field, whether it be the young rookie letter carrier or the senior letter carrier, is "When can I get out," because the pressures have become unbearable and as we testified yesterday before another subcommittee, a number of our senior carriers who could retire under the legislation now pend-

ing before this committee are having their assignments eliminated and we think that now is the most appropriate time for the Congress to take action in regard to this early retirement.

Mr. MOAKLEY. Thank you very much for your presentation.
[Complete statement follows:]

STATEMENT OF JAMES H. RADEMACHER, PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS, AFL-CIO

Mr. Chairman and Members of the Committee, for the record, my name is James H. Rademacher and I am President of the National Association of Letter Carriers (AFL-CIO), with headquarters at 100 Indiana Avenue, right here in Washington, D.C.

I am joined here today by all of our national officers as an expression of our total support for liberalizing amendments to the U.S. Civil Service Retirement Act.

We welcome this opportunity to discuss retirement with you. The NALC is unique among postal unions in that we permit retirees to maintain full membership rights. They pay reduced dues and have all the privileges of an active member except that of holding national office. We have approximately 220,000 members and about 30,000 of our members are retired. We also have 2,500 who have been members more than 50 years and are considered life Gold Card members.

Our interest in retirement, therefore, is far from academic. Our retired members keep us well informed about their views and they are not hesitant about needling us if they feel we are not doing enough for them.

However, the trend today is to seek earlier retirement. A great many of our members—if they have any seniority at all—want out as soon as possible. Liberalization of the retirement laws stands very high on the agenda. To many it is even more important than pay. They seek a greater flexibility than they have now.

I think it goes without saying that the National Association of Letter Carriers supports the Daniels Bill, H.R. 3024. We support the "Magic 80" formula and hope this legislation will gain your approval and the approval of the entire Congress.

Nonetheless, I would be less than candid if I did not add that we think the "Magic 80" formula is just a first step toward the ideal retirement program we are seeking. Our membership, in convention assembled, has mandated us to seek a non-contributory program which will permit retirement after 25 years, regardless of age.

Actually, Mr. Chairman and Members of the Committee, there is nothing sacred about the age of 65 for retirement. The figure 65 was more or less pulled out of a hat in Bismarck's Germany, approximately 100 years ago. The German government of the time set up the world's first retirement program and, lacking statistics and precedents, adopted the age of 65 or more or less as an experiment. The experimental age limit lasted almost a full century and acquired a kind of spurious aura of sanctity which, I submit, should be objectively examined and then discarded. Now, with a 60-year retirement age, we have not really advanced much beyond Bismarck's day.

There is a growing body of evidence indicating that 25 years of service is long enough for a career. The Civil Service Commission, for instance, tells us that one out of every three Federal employees who retired last year did so for disability.

In a study covering 7.8 million workers, the Bankers Trust Co., of New York recently reported that 90 percent of all the major labor-management contracts negotiated in this country during the 1965-70 period called for retirement before 65 years of age. The report also says: "Although ages 55 to 60 continue as the standard early retirement ages in requiring employees to meet an age requirement, there has been a dramatic shift of emphasis from age 60 to 55 in the 1965-1970 period."

The study also points out that the proportion of older workers in the labor force is decreasing rapidly. Only twenty years ago, a majority of all men over 65 were still in the work force. Now only one-quarter are and the Bureau of the Census estimates this figure will be reduced to one-fifth by 1980.

According to the Bureau of Labor Statistics, by 1977—just three years from now—there will be fewer people over 45 in the work force than out.

Once again—as in so many areas of employee relations—the Government is falling behind the private sector when it should be at the head of the parade, the ideal employer, setting an example for the entire nation.

In the letter carrier craft, as I have pointed out before on numerous occasions, we are getting more than our share of heart attacks. We are also getting an increase in such occupational ailments are varicose veins and flat feet. I am convinced that most of these ailments—and most of these disability retirements—have come about because the letter carrier was simply too elderly to be performing such a hazardous and strenuous job.

And we are going to find this situation more aggravated in the future. The Postal Service management is installing a monstrous innovation called Centralized Mark-up. The idea is to take office work away from the letter carrier and to give it to some clerks and a computer. What the carrier loses in office time must be added to his route, so he will be carrying 6 to 8 percent more mail on his back and he will have to carry it 6 to 8 percent farther. It is logical, I think, to expect a 6 to 8 percent increase in disabilities.

I cannot resist commenting on what the United States public—the patrons of the Postal Service—are losing because of this mechanical so-called “improvement.” The retentive memory of the letter carrier has been replaced by an inadequate and poorly-understood computer and the havoc this has caused in the service is tremendous.

I might add that in many cases letter carriers are being held back to correct the mistakes of the computer which never would have been committed if the letter carrier had done the job in the first place, and then they still must perform the additional 6 to 8 percent work on the street.

As matter of fact, with the increased emphasis on productivity in the United States Postal Service, there is an increase also in mental and physical effort and a tendency for the individual to deteriorate at a more accelerated rate than under more relaxed conditions.

Because of this, it is really to the benefit of the Government if these elderly workers are permitted to retire at an earlier age, with full benefits, so younger men and women can enter the service.

We have a serious unemployment problem in this country. Permission to retire earlier would help considerably to alleviate this disturbing condition.

I also feel that early retirement will create greater efficiency in the Postal Service. It would be an inducement for talented young men and women to join the post office, . . . eager young people who would grow with the Service and adapt themselves to the new techniques which will eventually revolutionize the mails.

Then there is another valid reason to support early retirement. We all know it is impossible to run an agency competently if there is too high a turnover of personnel. The Post Office has always been a conspicuous leader in the turnover field and that may well be one of the reasons why it has never been a model of efficiency. During World War II, for example, the turnover one year reached 36 percent.

Throughout Government we have far too high a turnover of personnel. People get discouraged and decide not to wait to reap the benefits of the retirement program. The goal is too distant; the rewards too meager.

In 1970, the Civil Service Commission found that 89.2% of all males entering Government service at the age of 20 would withdraw before reaching retirement age, and 94.8% of the females would do likewise.

Of those entering the Service at age 30, 70.2% of the males would quit before retirement and 84.2% of the females.

And, of those coming in at age 40, 62.7% of the males and 60.6% of the females would leave prematurely.

Mr. Chairman, these figures, taken from the Fiftieth Annual Report of the Board of Actuaries of the Civil Service Retirement System, dated January 3, 1973, will be attached as an Appendix to this statement, if that is satisfactory with you.

We don't have a retirement program in the Civil Service today so much as a quitting program.

I submit, Mr. Chairman and Members of the Committee, that the turnover figures would be much lower if the retirement age were lowered. To many people today, the age of 60 seems far too remote. But, if we could make the target con-

siderably more accessible, I am sure thousands of Federal employees would stay on working in order to realize the full benefits of retirement. This would make for a more stable work force and it would benefit considerably the morale of the employees.

Of course, the concept of early optional retirement is not a new one in Governmental circles. During the Great Depression, Congress approved legislation along these lines in order to provide more jobs for young unemployed people. The nation is not yet in such bad straits as it was in the 1930's, but unemployment is still far too high and approval of early retirement legislation could not help but alleviate the conditions of today.

I am quite aware that there are some who argue that passage of an early retirement Bill would open the flood gates and let thousands of capable and experienced employees out of government service.

I simply do not believe this is true. I can't visualize thousands of essential employees quitting their jobs at age 50. I do visualize many others—not so skillful, not so energetic—seizing this opportunity to leave Federal employment with dignity and with pride intact.

It is true that on June 30, 1973—when the 6.1% increase in annuities was available, 80,000 Federal workers voluntarily retired. But, on December 31, 1973, when the 5.5% increase was announced, only 10,000 retired.

The effect of inflation on set incomes and the increased difficulty of middle-aged persons finding part-time employment had taken its toll.

I think the major trouble with the 60-year age limit is its rigidity. It ignores the idiosyncrasies of geriatrics. Some people are vigorous and useful at 70, 75 or even 80 years of age. Others are washed up at 45 or 50.

The process of aging is a very personal thing and should be observed on an individual basis. Obviously a man or woman who is washed up at 45 is not doing the Federal service any good by working another 20 years before retiring. The quicker such a person can retire with dignity and reasonable security, the better for all concerned.

There is another point I would like to stress here. According to Civil Service Commission figures, it very well may be true that 25-year retirement at any age will be only half as expensive to the Government than the "Magic 80" retirement formula.

The Civil Service Commission authorities estimate there are 186,000 Federal employees eligible for immediate retirement under the present system.

Under the 25-year retirement regardless of age, the number of Federal employees eligible would rise to 223,000.

But under the "Magic 80" formula, 373,000 Federal employees would be eligible to retire, and it is estimated that 13% would exercise their option immediately.

The average entrance age under the retirement system today is 31 years—a fact which lends considerable weight to the statistics I have just mentioned.

Mr. Chairman and Members of the Committee, I know some people look with horror at the idea of a non-contributory retirement program. They feel its cost would be out of sight. But, such people are quite mistaken.

The Civil Service Commission, in April of last year, analyzed the Major Employee Benefit Programs—including retirement—of six major private employers and five major public employers.

All the major employers, and one of the public employers, conduct retirement programs without asking the employee to contribute anything. They were the Pacific Gas & Electric Company, IBM, General Motors, Du Pont, Aetna, U.S. Steel and New York State.

The public employers analyzed who do insist upon employee contributions were Georgia, Michigan, Wisconsin and the City of Baltimore—and none of these public employers were deducting as much from their employees' pay as is the United States Government from its employees.

The non-contributory retirement program is the wave of the future. Soon it will be compulsory if the Federal Service is to remain competitive not only with private industry but also with State and municipal employers.

And, incidentally, of all the employers analyzed, only General Motors in the private sector, and Georgia and Wisconsin in the public sector were found to have retirement programs less generous than that of the United States Government.

Mr. Chairman and Members of the Committee, you will remember that in June of 1972, Postmaster General Klassen announced a policy which would (1)

Permit optional retirement of all postal employees who are 50 years of age and had 20 years of service or (2) Have 25 years of service at any age.

This program was undertaken in the interest of economy and involved no coercion on the part of management. Naturally, we did not oppose the program, though we did make numerous constructive suggestions which would make it more palatable to the workers. Some of the suggestions were adopted.

There was no great scramble for the exits. As I remember, less than 2 percent of the work force chose to take advantage during the first three months. It was an orderly egression.

If the U.S. Postal Service could do this in 1972 in the interest of economy, why do they feel they cannot let employees opt for early retirement now?

In short, Mr. Chairman—we support the "Magic 80" formula if there is no more generous alternative available. We seek 25-year retirement without contributions from the employees. Our members are even asking 20-year retirement. We know the realities of the situation; all we ask is that our members get the very best the traffic will bear—and I am convinced the traffic will bear a great deal more than it is bearing right now.

Once again, Mr. Chairman and Members of the Committee, thank you for your courtesy and your helpfulness in asking us to testify before you and state our hopes and our preferences. We are very grateful for what you have done in the past and for what you are trying to do now.

Mr. MOAKLEY. The next gentleman on the list is Mr. James Hill, National Federation of Professional Organizations.

STATEMENT OF JAMES HILL, NATIONAL FEDERATION OF PROFESSIONAL ORGANIZATIONS; ACCOMPANIED BY GEORGE BRADLEY, VICE PRESIDENT

Mr. HILL. Mr. Chairman, I have with me Mr. George Bradley, the vice president of our association.

We greatly appreciate your willingness to hear us on this matter. We are very much in support of this legislation. We also have a statement on file and so I would like to make a few extemporaneous remarks if I may. Most of them are not in my statement.

First, we'd like to point out that the present law which permits retirement at age 55 at 30 years of service has been on the books since 1942.

Mr. MOAKLEY. Pardon me. At this time I'd like the record to show that Mr. Collins is joining the committee.

Mr. COLLINS. Thank you very much, Mr. Chairman.

Mr. HILL. That's a long time. We think that the views of our society with respect to retirement have changed considerably since that time.

As a practical matter, we think that the earliest that this bill would permit retirement would be about age 50 with 30 years of service and we think today it's well accepted that a man who's labored all of his adult life for 30 years has contributed just about all that society should ask him to contribute, and that he ought to be permitted to enjoy a few years of leisure.

Next, we'd like to point out that even the Civil Service Commission, in testimony they gave recently before the Senate committee, seems to approve this, although they may not tell his committee that. Last week or the week before Mr. Tinley of the Civil Service Commission was testifying before a Senate committee in opposition to a bill which would include Immigration and Customs Service Inspectors in the 50-20 provision as hazardous duty, and he said these early retirement provisions aren't intended to compensate for hazardous

duties. He said it's to enable Federal agencies to improve their quality and productivity and to provide opportunities for younger people.

Well, what agency doesn't want to do that? If that's good for some agencies, why isn't it good for the whole Federal service?

I don't think the Civil Service Commission ought to oppose inclusion of people in the hazardous duty provision on the ground that early retirement is a good thing for everybody and then when such a bill as this is introduced to oppose it by saying, no, it's just for people with hazardous duties.

Some agencies can now retire people at a magic figure of 70, 50 plus 20. For everybody else it's 85. This bill, as a practical matter, will reduce it to 80. Really, this bill is a very modest proposal.

Finally, we'd like to say that we don't think every employee would take advantage of this law if it were passed. Many employees still have their enthusiasm and their ability and are still wanted by their agencies and will continue to work. But the employee with declining interest or capacity or obsolescent skills, would take advantage of it and that's for the good of his agency and for the good of the Government and for the good of the man, and it ought to be permitted.

Now with respect to some proposals to reduce or eliminate the deduction of one-sixth of 1 percent per month, this bill would reduce it to one-twelfth of 1 percent per month for every year of age under 55. That's all to the good. We must say that we understand the figures to be that if a man retires at 50 he will get more total annuity during his expected life time even with the one-sixth of 1 percent deduction than a man who stays on until age 55, of the same sex and grade.

This committee's proposal to reduce that to one-twelfth of 1 percent per month would increase that disparity, but still we're happy to receive it. If it were eliminated entirely however, it would further increase the disparity and it might engender some opposition by Members of the Congress.

With respect to the inclusion of overtime, that's well deserved. In many types of work overtime is a way of life. In the air traffic control profession, for example, the Congress passed a law several years ago that went through this committee to provide that they shall get true time and a half for overtime no matter what their grade. At that time some air traffic control facilities were on a straight 6-hour day. The men regard overtime as a part of their basic pay. Overtime pay ought to be included in basic pay, for retirement purposes.

Our only objection is that all premium pay ought to be included. I understood one of the previous speakers to say he so understood the bill. I don't so understand it. I hope he's right and I'm wrong, but there's no reason why night-time differential and Sunday pay and holiday pay should not also be included as a part of basic pay, especially for people on shift duty. They have to take their turn on the night shifts and working on holidays and Sundays. They regard it as part of basic pay and we would recommend that the inclusion of overtime be broadened to include all forms of premium pay as a part of basic pay.

That's all we have to say unless there are some questions, Mr. Chairman.

Mr. MOAKLEY. Congressman Collins, any questions?

Mr. COLLINS. I'd like to, if I could. How long are we going to take, Mr. Chairman, on discussion with witnesses? Can I have 5 minutes?

Mr. MOAKLEY. Surely.

Mr. COLLINS. Mr. Hill, you said this bill is a very modest one. How old are you, Mr. Hill?

Mr. HILL. I'm 60.

Mr. COLLINS. Why do you think that we should be encouraging lower retirement ages?

Mr. HILL. Well, as I said, I don't think everybody will take advantage of it, but many people have given everything they have to give by the time they have a combination of 80—say by the time they're 50 with 30 years of service.

Mr. COLLINS. Have you worked all your life?

Mr. HILL. Yes; I have.

Mr. COLLINS. Do you enjoy working?

Mr. HILL. I don't want to quit, no.

Mr. COLLINS. Why should we encourage others to quit?

Mr. HILL. Well, if you've ever been an administrator in a Federal agency, you know the problem of the fellow who just isn't doing the job anymore but he doesn't want to quit. He isn't eligible for retirement. He can't quit. So he keeps on working when really you'd rather have a younger fellow who can do better work at a lower grade.

Mr. COLLINS. In here we mention law enforcement officers and they have this system set up where they retire at 20 years at the age of 50. Assuming a man will live 20 years after 50 he will work 20 years and draw retirement 20 years and now we're draining this retirement reserve so the wife will also receive a full annuity out of pension reserves.

How can the country afford pension plans of that type?

Mr. HILL. Well, I think that the Civil Service Commission's estimates of cost are greatly overstated. You must realize that although a man who retires early is going to start drawing his annuity earlier he isn't going to get nearly as much annuity as the man who now retires at age 55. Actuarially, it's supposed to work out so everybody comes out even at the end.

Mr. COLLINS. Are you familiar with the railroad pension plan?

Mr. HILL. No, sir.

Mr. COLLINS. At one time that was considered the model plan of all pension plans and I'm just talking in broad terms. I can't recall the exact figures. But there are around 600,000 people drawing pensions now and 500,000 people paying into the plan, and they have increased benefits and they have not increased contributions, and last year when we reviewed that plan it was estimated it would be bankrupt in 9 years.

It's very easy to put in an early age for retirement, but when you do that means that the young people in the Federal service will have no funds left for them when they are ready to retire. Is that equitable?

Mr. HILL. Oh, no, they are not keeping that plan actuarially sound. They are just being foolish.

Mr. COLLINS. That's right, and we're doing it because they have requested the Government to do it and not make it actuarially sound. Do you think what you're suggesting is actuarially sound?

Mr. HILL. Yes. Under this bill a man who could retire at age 50 would get a total life-time gross amount of annuity equal to a man who

later retired at the age of 55 with a higher annuity. If he lives longer than three score years and ten the man who retires at the early age is going to be the loser. The Government is going to pay out more to the man who retired at age 55 than the man who retired at age 50.

Mr. COLLINS. Now I saw a statement in these papers—maybe this is in your statement. Were you the one that made the statement in your paper related to President Johnson, who's one of the greatest Presidents this country ever had. President Johnson had a committee review civil service pensions and they recommended that we not reduce the annuity amount that we pay people just because they had retired at an earlier age. Have you ever recommended that?

Mr. HILL. I think that was in my statement. I know I did refer to it in my statement.

Mr. COLLINS. That was a Government committee that came up and recommended that?

Mr. HILL. They did not recommend earlier retirement. They kept the provision the same as it has been since 1942. All that they did was eliminate the deduction of one-twelfth 1 percent per month that had been taken out for retirement under age 60.

Mr. COLLINS. It says here "until."

Mr. HILL. Until age 60.

Mr. COLLINS. And yet you were just saying that you think you can keep the reserves actuarially sound. Which way do you stand on this?

Mr. HILL. I think President Johnson did not go far enough. I think he should have recommended a retirement at a total of 80 back in 1965.

Mr. COLLINS. Well, now if he had done this under this recommendation of the committee, they said that they wanted them to stop reduction of annuity just because you began retiring at an earlier age. Do you think that the person should be entitled to the same annuity if he retires at an earlier age?

Mr. HILL. Under present law, he has to take a 2 percent reduction for every year under 55. This is not available to anybody now except people who are let out in a major reduction-in-force. They now have to take a reduction of 2 percent a year for every year they are under age 55.

Mr. COLLINS. Social Security is the basic retirement system of the Government and if you retire at 62 years you take a reduced amount, and 62 is the earliest age that you're entitled to retire. Sixty-two is recognized nationally so that we can keep an actuarially sound plan.

How can we take civil service at 55 and keep it actuarially sound by allowing full retirement at that age?

Mr. HILL. Because the man gets a lesser annuity.

Mr. COLLINS. That isn't what you recommended in this committee.

Mr. HILL. Yes. The federal system gives you, in effect—

Mr. COLLINS. I thought you said age 55 that they started reducing.

Mr. HILL. At the present time every year that you retire under age 55 you take this 2 percent a year reduction.

Mr. COLLINS. I'm talking about every year you retire under age 62, which is the social security year.

Mr. HILL. In effect, you do get a reduced annuity because you haven't served as many years and the federal system bases your annuity on the number of years you have served. So you do get a reduced annuity.

Now if this bill were to pass and in effect permit people to retire at age 50 with 30 years of service, they would get a lower annuity. If the same man stayed on until age 55, he would get a higher annuity.

Mr. COLLINS. But that's based on what he's worked. I'm talking about life expectancy, which is the big factor in annuity.

Mr. HILL. Well, I say again, I think these things are actuarially planned so in the end if you live three score and ten you're supposed to come out at the same place, whether you have retired at age 55 or age 50.

Mr. COLLINS. Mr. Chairman, I wonder if I could have some of these expert witnesses furnish the committee with actuarial tables which would show the effect their suggestions would have, and how their retirement recommendations will be completely funded.

Mr. BRADLEY. I'll answer that. I am submitting written testimony to this committee on that very point. I took a case, a GS-11 and worked a potential retirement plan starting 5 years ago when the employee would have 30 years of service at age 50, and worked out the annual annuity and used his life expectancy of 26 years. His total charge against the retirement fund with no reduction in annuity would be about \$170,000. With reduced annuity it would be down to about \$135,000. Carrying that same individual to age 55, who would then have 35 years of service using his life expectancy of 21 years, his total take from the retirement fund would be about \$225,000.

Every time we figure it I can't see where the early retirement is more costly, really. I don't think the actuarial tables are as bad as they are said to be. If you work it out you will find that people who retire early get less money, you take their life expectancy and you find you're drawing less against the retirement fund.

Mr. COLLINS. I would appreciate that. When you draw up those tables I wonder if you'd supplement them with this new plan that we are also recommending. We're going to pay \$6 billion in supplementary benefits because we're going to guarantee the survivorship widows the full plan without any additional payment. You know the new recommendation?

Mr. BRADLEY. Yes; I do.

Mr. COLLINS. What worries me, anybody under age 40 is not going to have any money left in this reserve. We're going to pay to everybody over age 40 and the others are going to be left with nothing. We don't want to hurt the young employees.

Are you an actuary?

Mr. BRADLEY. No; I'm not.

Mr. COLLINS. You certainly sound pretty good. You sound like you know.

Mr. BRADLEY. I'm just the executive director of a professional association, but I put in 40 years with the Federal Government. I worked my retirement out very carefully before retiring. I did not retire until I had adequate annuity.

Mr. MOAKLEY. Thank you, Congressman Collins.

You will submit that testimony that Congressman Collins asked for?

Mr. BRADLEY. Right, I will.

Mr. MOAKLEY. Thank you very much.

[Complete statement follows:]

STATEMENT OF JAMES D. HILL, EXECUTIVE DIRECTOR, THE NATIONAL FEDERATION
OF PROFESSIONAL ORGANIZATIONS

Mr. Chairman, this testimony is presented in behalf of the National Federation of Professional Organizations, composed of the following organizations, representing 35,000 Federal professionals:

Air Traffic Control Association, Inc.
Airways Engineering Society.
Association of Senior Engineers of the Naval Ship Systems Command.
Federal Plant Quarantine Inspectors' National Association.
National Association of Federal-State Employees.
National Association of Federal Veterinarians.
National Association of Government Engineers.
National Labor Relations Board Professional Association.
National Society of Professional Engineers.
Naval Civilian Administrators Association.
Navy Field Safety Association.
Organization of Professional Employees of the U.S. Department of Agriculture.

Patent Office Professional Association.

We commend the Subcommittee for its attention to this measure, which is of great importance to Federal employees. We urge its approval.

Under present law, the "sum of 80" concept exists only at age 60, at which an employee may retire with 20 years of service. But he may not retire at age 59 with 21 years of service, or at age 55 with 25 years of service, or at any other combination of age and service that totals 80. As a practical matter, the present bill would reduce the existing minimum by five years. Today an employee must be age 55 and have 30 years of service, a total of 85 years. H.R. 3024 would permit retirement at age 50 with 30 years of service or at age 55 with 25 years of service, or any other combination of these which total 80 years.

The present law, which permits an employee to retire on an immediate annuity at age 55, with 30 years of service, has been virtually unchanged since 1942. In the last 30 years the views of our society with respect to retirement have changed considerably, but the minimum age for retirement for the Federal Service has remained unchanged. Until 1966 an employee retiring before the age of 60 was required to take a reduction in his annuity of $\frac{1}{2}$ of one percent per month. This reduction was eliminated by P.L. 89-504, of July 18, 1966.

At the beginning of the 89th Congress in 1965, a large number of bills were presented to liberalize the Federal retirement system. As we understand it, President Johnson requested the Congress to delay consideration of these measures until he could have them examined by a special Cabinet Committee on Federal Retirement Systems.

He created this Committee by memorandum of February 1, 1965, and the Committee issued its report to him on February 15, 1966. The Committee held extensive hearings, at which various Federal employee groups recommended retirement after 30 years of service at any age, retirement at age 50 with 30 years of service, extension of the special provision for retirement of law enforcement personnel at age 50 with 20 years of service to other groups of Federal employees engaged in hazardous work, etc. The President's Cabinet Committee did not see fit to recommend any of these. It recommended only that in the future optional retirement at age 55 with 30 years of service be with unreduced annuity. The Committee said that its recommendation "will accommodate the purpose underlying those various suggestions." To us, this is quite an overstatement. In fact, the Committee proposal did not alter the minimum retirement age at all.

President Johnson adopted the Cabinet Committee's recommendations and embodied them in proposed legislation providing for a salary increase, which he forwarded to the Congress on March 7, 1966. See 112 Cong. Record 5014, March 7, 1966; House Document 402, 89th Congress, 2nd Session; Senate Document 14, 90th Congress, 1st Session. The proposed legislation was enacted as the "Federal Employees' Salary Act of 1969," P.L. 89-504. We point out that, as to retirement, this law did not alter the minimum retirement age of 55, with 30 years of service, which has now remained unchanged since 1942. The only subsequent liberaliza-

tion has been with respect to air traffic controllers, firefighters and those involved in a major reduction-in-force, who may now retire at age 50 with 20 years of service. So, at present, there are some groups, mostly those engaged in supposedly hazardous duties, who may retire when age and service totals 70; for other Federal employees, the minimum is 85.

We respectfully suggest to the Committee that the proposed reduction in Federal retirement age is fully justified. If H.R. 3024 were enacted into law, we would doubt that every Federal employee would retire as soon as he became eligible. We would expect that an employee of 50 years of age and with 30 years of service who still retained his health and his enthusiasm for his work would prefer to continue, rather than to retire on reduced income. We understand that the privilege of retiring at age 50 with 20 years of service, now held by law enforcement officers, is not universally taken. At hearings held in 1972 before the Committee on Post Office and Civil Service with respect to legislation which would permit air traffic controllers to retire at age 50 with 20 years of service, or at any age with 25 years of service (P.L. 92-297), the Administration estimated that of those controllers becoming eligible for such optional retirement, only 15% would actually do so. However, retirement at age 50 with 30 years of service would make it economically feasible for employees with growing disability, declining capacity or interest, or obsolescent skills, to withdraw from active service, if they wished. Such a provision is meritorious and justified.

The only objections that we have heard to this proposal are (1) the Civil Service Commission's usual dire estimate of cost and (2) that it would benefit only one-fourth of all Federal employees. We do not feel competent to make an estimate of cost, but we have heard that the present 7% contribution by employees and agencies is excessive, and that a surplus is growing in the Retirement Fund. A news item in the "Federal Employees News Digest" of April 15, 1974 contend that the effect of the present bill would be to reduce the obligation of the Retirement Fund.

As to the second objection, it is generally true that different employees receive different benefits from a retirement program, depending on a variety of personal factors, such as their length of life, whether their spouse predeceases or survives, their age at retirement, their length of service, whether they became eligible for a discontinued service annuity, whether they retired at an early age on disability, and so forth. Under present law there are undoubtedly many employees who cannot receive the benefit of retirement at age 55 with 30 years of service, or even at age 60 with 20 years of service. But this is not evidence of an unfair law. It is not unfair to short term employees to permit a man who has served for a longer period to retire. On the contrary, we think that a retirement law that distinguishes between persons in differing circumstances is preferable to one that treats persons in differing circumstances alike.

Perhaps if only one liberalizing retirement law were to be enacted, and employees were forced to select one, many would prefer a measure that benefits all, such as a reduction in the contribution from 7% to 6½%, or a straight 2% computation formula. But we do not think that Federal employees should be forced to make such a choice; all meritorious improvements in the system should receive this Committee's support.

If, for any reason, H.R. 3024 as presently drafted does not meet with the committee's approval, we suggest a modified proposal that would be of benefit to many employees. That is, that employees be permitted to retire between the age of 55 and 59 whenever the sum of their age and years of Federal service totals 85. The practical effect of this would be to permit employees to retire at 55-30, 56-29, 57-28, 58-27 and 59-26. This would provide justice to many employees who are now caught in a "no man's land" between the present provisions of 55-30 and 60-20.

We greatly appreciate the committee's interest in this subject.

Mr. MOAKLEY. The next gentleman the committee will hear from is Mr. John McCart, operations director, Government Employees Council.

**STATEMENT OF JOHN McCART, OPERATIONS DIRECTOR,
GOVERNMENT EMPLOYEES COUNCIL**

Mr. McCARR. Mr. Chairman, we have supplied the subcommittee with copies of our formal statement. I'd appreciate it if that could be inserted in the record and I be permitted to summarize our statement.

Mr. MOAKLEY. No objection.

Mr. McCART. The council, of course, appreciates very much the arrangement for these hearings and the interest that the various members of the subcommittee and the committee and the House itself has taken in the civil service retirement program.

We support H.R. 3024 and we support some of the other measures that are pending before the subcommittee on this subject as well.

Let me just give you a few excerpts from our statement which I think will summarize our position on the proposal.

As the pace of production accelerates in the various Federal agencies, increasing mental and physical effort is experienced by employees. Particularly where individuals are assigned to jobs involving a large degree of physical activity, their condition is likely to deteriorate more quickly. This is true of many positions in the postal, classified and wage board categories. Even though an individual in these occupations may not experience physical impairments sufficient to warrant disability retirement, he may still desire to cease work before normal retirement age in order to preserve his health.

Under these conditions, it will benefit both the employee and the Government as the employer to permit him to retire with full benefits at an earlier age so that younger individuals may enter Government service.

As we are all well aware, inflation is rampant. At the same time, our rate of unemployment is a continuing source of worry. Some communities are facing an economic crisis because of these two factors. Enactment of this kind of legislation will ease this national burden by making employment opportunities available to replace those Federal workers who retire. By supplying an additional incentive to retire upon attaining eligibility, it will alleviate the impact of reductions in force for those workers who have not acquired the length of service or age needed to retire.

In addition, approval of legislation of this kind will assist agencies to perform their missions more effectively by insuring a nucleus of skilled, younger workers, who can be trained to accept the responsibilities performed by their mature fellow-employees.

Retirement is one of the most important aspects of the Federal personnel program. Turnover among employees is a continuing problem. A large number of Federal workers quit their jobs each year. Acceptance of the principle embodied in these bills would provide an incentive for individuals to continue their careers in the Federal Government in order to retain retirement eligibility.

The number of senior citizens in our population increases each year. Boys and girls are spending more years in school. To satisfy the ever-

increasing demand for jobs for those who complete their education, it is essential that job opportunities be made available at a much faster pace than heretofore. The number of working years will have to be reduced as one means of providing additional jobs.

Enactment of legislation similar to the bills discussed here will help alleviate the problems so far as the federal service is concerned, and will stand as an example of enlightened personnel management for others to follow.

The concept of retirement with full benefits for federal employees with 30 years of service below age 55 is not new. During the disastrous economic depression our country experienced in the 1930s, Congress approved legislation allowing this type of retirement for Federal workers. Admittedly, the economic situation today is not identical to that prevailing 40 years ago. But the rationale of the earlier action applies with equal force in 1974. The object then was to provide an incentive for Federal workers with long years of service to retire so that their jobs would be available to younger men and women with families who were in dire financial straits.

The idea of permitting retirement of Federal employees whose combined service and age equals 80 is relatively new. It is an attractive approach to providing greater flexibility to the existing retirement act.

Adoption of this recommendation will allow workers to complete their Federal Government careers at an earlier age than is now the case and will enable many to contribute more to our social and economic progress by utilizing their Federal experience in second careers. However, we do not believe that an individual below age 55 should have to accept a reduced annuity.

In summary, then, the GEC advocates as a minimum that the subcommittee approve H.R. 3024.

Another bill, proposing full retirement benefits after 20 years of service merits the sympathetic consideration of the subcommittee. The same rationale described earlier in this statement supporting H.R. 3024 applies to Representative Brasco's measure, H.R. 3930.

At its biennial convention in October 1973 the AFL-CIO adopted a general resolution covering conditions and benefits for Government employees. Included was an item advocating "voluntary retirement after 20 years of service, regardless of age, with full benefits, or with age and years of service totalling 80." Consequently, enactment of either H.R. 3024 or H.R. 3930 would fulfill this objective. Logically, any legislative proposal falling between these two approaches would be supported by our organization.

The council is grateful for this occasion to present its views on the important measures under consideration today.

Mr. MOAKLEY. Congressman Collins, any questions?

Mr. COLLINS. No; thank you. I appreciate his statement.

Mr. MOAKLEY. Thank you very much.

[Complete statement follows:]

STATEMENT OF JOHN A. McCART, OPERATIONS DIRECTOR, GOVERNMENT EMPLOYEES COUNCIL, AFL-CIO

Mr. Chairman and members of the subcommittee, the 30 AFL-CIO unions affiliated with the Government Employees Council desire to commend you as the sponsor of H.R. 3024 for providing an opportunity for discussion of this and other bills advocating improvement in the existing law governing voluntary retirement on full annuity. Taken together, these unions represent in excess of one million postal and other Federal employees who participate in the collective bargaining process in a variety of Federal agencies.

H.R. 3024 liberalizes the Civil Service Retirement Act by permitting employees whose age and length of service total 80 or more to retire voluntarily without reduction in annuity. Reintroduction of the bill, which you sponsored initially in 1971, is further indication of your intense interest in maintaining the Civil Service Retirement System as a model for other employee retirement programs in industry and government in our country. We recognize other members of the House who have introduced similar bills, including Representatives Daniels and Hogan.

One purpose of H.R. 3024 permitting employees to acquire the benefits of involuntary separation for retirement during major reductions in force has been achieved through enactment of Public Law 93-139. The Council applauds the efforts of the Subcommittee in obtaining Congressional approval of this law.

As the pace of production accelerates in the various Federal agencies, increasing mental and physical effort is experienced by employees. Particularly where individuals are assigned to jobs involving a large degree of physical activity, their condition is likely to deteriorate more quickly. This is true of many positions in the postal, classified and wage board categories. Even though an individual in these occupations may not experience physical impairments sufficient to warrant disability retirement, he may still desire to cease work before normal retirement age in order to preserve his health.

Under these conditions, it will benefit both the employee and the Government as the employer to permit him to retire with full benefits at an earlier age so that younger individuals may enter Government service.

As we are all well aware, inflation is rampant. At the same time, our rate of unemployment is a continuing source of worry. Some communities are facing an economic crisis because of these two factors. Enactment of this kind of legislation will ease this national burden by making employment opportunities available to replace those Federal workers who retire. By supplying an additional incentive to retire upon attaining eligibility, it will alleviate the impact of reductions in force for those workers who have not acquired the length of service or age needed to retire.

In addition, approval of legislation of this kind will assist agencies to perform their missions more effectively by insuring a nucleus of skilled, younger workers, who can be trained to accept the responsibilities performed by their mature fellow-employees.

Retirement is one of the most important aspects of the Federal personnel program. Turnover among employees is a continuing problem. A large number of Federal workers quit their jobs each year. Acceptance of the principle embodied in these bills would provide an incentive for individuals to continue their careers in the Federal Government in order to retain retirement eligibility.

The number of senior citizens in our population increases each year. Boys and girls are spending more years in school. To satisfy the ever-increasing demand for jobs for those who complete their education, it is essential that job opportunities be made available at a much faster pace than heretofore. The number of working years will have to be reduced as one means of providing additional jobs.

Enactment of legislation similar to the bills discussed here will help alleviate the problems so far as the Federal Service is concerned, and will stand as an example of enlightened personnel management for others to follow.

The concept of retirement with full benefits for Federal employees with 30 years of service below age 55 is not new. During the disastrous economic depression our country experienced in the 1930s, Congress approved legislation allow-

ing this type of retirement for Federal workers. Admittedly, the economic situation today is not identical to that prevailing 40 years ago. But the rationale of the earlier action applies with equal force in 1974. The object then was to provide an incentive for Federal workers with long years of service to retire so that their jobs would be available to younger men and women with families, who were in dire financial straits.

The idea of permitting retirement of Federal employees whose combined service and age equals 80 is relatively new. It is an attractive approach to providing greater flexibility to the existing Retirement Act.

Adoption of this recommendation will allow workers to complete their Federal Government careers at an earlier age than is now the case, and will enable many to contribute more to our social and economic progress by utilizing their Federal experience in second careers. However, we do not believe that an individual below age 55 should have to accept a reduced annuity.

In summary, then, the GEC advocates as a minimum that the Subcommittee approve H.R. 3024.

Another bill, proposing full retirement benefits after 20 years of service (H.R. 3930—Representative Bracco), merits the sympathetic consideration of the Subcommittee. The same rationale described earlier in this statement supporting H.R. 3024 applies to Representative Bracco's measure.

At its biennial convention in October, 1973, the AFL-CIO adopted a general resolution covering conditions and benefits for government employees. Included was an item advocating "voluntary retirement after 20 years of service, regardless of age, with full benefits, or with age and years of service totalling 80." Consequently, enactment of either H.R. 3024 or H.R. 3930 would fulfill this objective. Logically, any legislative proposal falling between these two approaches would be supported by our organization.

The Council is grateful for this occasion to present its views on the important measures under consideration today.

Mr. MOAKLEY. The next gentleman we will hear from is Mr. C. L. Dorson, president, Retirement Federation of Civil Service Employees of the U.S. Government.

STATEMENT OF C. L. DORSON, PRESIDENT, RETIREMENT FEDERATION OF CIVIL SERVICE EMPLOYEES OF THE UNITED STATES GOVERNMENT

Mr. DORSON. Mr. Chairman, with your permission, we will submit our statement for the record and I would like to make a couple points.

Mr. MOAKLEY. No objection.

Mr. DORSON. We'd like to join Mr. Nilan who expressed concern with the proposal contained in the first section of H.R. 3024 to strike out the words "overtime pay" in paragraph three of this section. This provision, if enacted, would make overtime pay subject to salary deductions, as well as—

Mr. MOAKLEY. Mr. Dorson, may I interrupt at this point. I know what you're saying, but it bothers me that some employees, their overtime is almost a part of their salary, and to do this would be a complete disadvantage to that group. Some start at a very low rate and they just allow them to work so many hours of overtime a week, and this becomes really a part of their salary, and if we were to delete that section of the bill it would seriously affect them. But I can understand how it would affect your people also. So there is a very thin line there that we have to walk.

Mr. DORSON. Yes, Mr. Chairman. I understand that while the amendment may be beneficial in some cases we think in the overall it would be best to leave the provision as it now is in the law. We think

the vast number of Federal employees do not work overtime in the last few years of employment to the extent that their annuity is not computed on that overtime.

Mr. MOAKLEY. And you would, in that case, accept Congressman Daniels' bill which deletes that provision?

Mr. DORSON. Yes; Mr. Chairman. We think in the overall that would be better.

The amendment proposed by section 2 of H.R. 3024 to provide the option to retire when age and service aggregate 80 years for employees and members is most desirable, but we think it provides a very liberal option which few employees could afford unless they intended to seek other employment after retirement.

However liberal this proposal may seem, from a practical standpoint few employees could afford to exercise the option unless the annuity computation formula is also improved. The employee who wishes to retire at age 50 with 30 years' service would be entitled to only 56 1/4 percent of his average salary, under the present formula, less the required reduction for age. An employee with 25 years' service at age 55 would receive only 46 1/4 percent of his average salary. Neither prospect is feasible for most employees.

To make early retirement both possible and economically feasible for all employees with long service, we urge that you also recommend to the full committee and the House of Representatives an increase in the computation rate to 2 1/2 percent of average salary for each year of service as proposed in H.R. 2706 by Congressman Leggett. This bill would improve the 30 year annuity to 75 percent and the 25 year annuity to 62 1/2 percent of average salary, thus bringing the dream of early retirement closer to reality.

The other amendment proposed in section 2, to liberalize the involuntary separation provisions of the law, is, as you probably know, now unnecessary because it was enacted into law by Public Law 93-39.

The proposal contained a section 3 of H.R. 3024 to reduce the penalty for retirement before age 55, from one-sixth of 1 percent to one-twelfth of 1 percent for each full month is most desirable and heartily endorsed.

With the amendments suggested we endorse H.R. 3024 and urge its early enactment.

Mr. Chairman, we are grateful for the interest of the committee in this legislation and especially to the sponsor, Congressman Waldie. We appreciate the opportunity you have afforded for the expression of our views.

Mr. MOAKLEY. Thank you, Mr. Dorson.

Congressman Collins, any questions?

Mr. COLLINS. No questions.

[Complete statement follows:]

STATEMENT OF C. L. DORSON, PRESIDENT, RETIREMENT FEDERATION OF CIVIL SERVICE
EMPLOYEES OF THE UNITED STATES GOVERNMENT

Mr. Chairman and members of the subcommittee, my name is C. L. Dorson and I am president of the Retirement Federation of Civil Service Employees of the United States Government, a national organization of Federal employees, with headquarters in this city.

We are concerned with the proposal, contained in the first section of H.R. 3024, to strike out the words "overtime pay" in paragraph 3 of section 8331 of title 5, United States Code. This provision, if enacted, would make overtime pay subject to salary deductions as well as use in the computation of average salary for annuity purposes.

We think this proposal is well intentioned, but we fear that its effect would be to add to the employee's cost without necessarily increasing the annuity commensurately. While any overtime pay received throughout the entire service of the employee would be subject to salary deductions, the average pay on which the annuity is based usually occurs during the last 3 years of employment prior to retirement and this is a time during which the employee is less likely to be working overtime. Therefore, while the amendment may be beneficial in some cases, we think that, in the over-all, it would be best to leave this provision as it now is in the law.

The amendment, proposed by section 2 of H.R. 3024, to provide the option to retire when age and service aggregate 80 years for employees and members is most desirable, but we think it provides a very liberal option which few employees could afford unless they intended to seek other employment after retirement.

However liberal this proposal may seem, from a practical standpoint few employees could afford to exercise the option unless the annuity computation formula is also improved. The employee who wishes to retire at age 50 with 30 years' service would be entitled to only 56 1/4% of his average salary, under the present formula, less the required reduction for age. An employee with 25 years' service at age 55 would receive only 46 1/4% of his average salary. Neither prospect is feasible for most employees.

To make early retirement both possible and economically feasible for all employees with long service, we urge that you also recommend to the full committee and the House of Representatives an increase in the computation rate to 2 1/2% of average salary for each year of service, as proposed in H.R. 2706 by Congressman Leggett. This bill would improve the 30 year annuity to 75% and the 25 year annuity to 62 1/2% of average salary, thus bringing the dream of early retirement closer to reality.

The other amendment proposed in section 2, to liberalize the involuntary separation provisions of the law is, as you probably know, now unnecessary because it was enacted into law by Public Law 93-39.

The proposal, contained in section 3 of H.R. 3024, to reduce the penalty for retirement before age 55, from 1/6 of 1% to 1/12 of 1% for each full month, is most desirable and heartily endorsed.

With the amendments suggested we endorse H.R. 3024 and urge its early enactment.

Mr. Chairman, we are grateful for the interest of the committee in this legislation and especially to you as the sponsor. We appreciate the opportunity you have afforded for the expression of our views.

Mr. MOAKLEY. The subcommittee is now adjourned.

[Whereupon, at 10:35 a.m., the hearing was adjourned.]

[The letters and statements which follow were received by the subcommittee for inclusion in the record.]

STATEMENT OF JOHN J. MURPHY, PRESIDENT, NATIONAL CUSTOMS SERVICE ASSOCIATION

Mr. Chairman and Members of the Subcommittee, I am John J. Murphy, President of the National Customs Service Association. NCSA is an independent fifty-year old organization representing employees of the U.S. Customs Service. We have exclusive recognition in eight of the nine Customs Regions and represent some 8,000 employees under exclusive recognition.

Our organization strongly supports H.R. 3024 and we want to thank you, Mr. Chairman, for sponsoring this legislation and holding hearings on it.

Customs employees are career employees in every sense of the term. Our people come into the Service at relatively early ages and pursue Customs as a lifetime career. We have a very low rate of turnover.

We feel that the legislation being considered today would reward the faithful service of these dedicated employees by making it economically feasible for them to retire at an age when they could enjoy the well-deserved fruits of retirement. Additionally, it would enable the Customs Service to maintain its high rate of efficiency and productivity by making retirement possible for employees in poor or failing health.

We wish to particularly endorse that section of the bill that would amend section 8331 of Title 5, U.S. Code, to include overtime pay as part of base pay for annuity computation purposes. In our view, total pay received for work performed should be considered base pay. Total pay, which includes overtime, is the level of income on which the employee is required to pay taxes. It is logical, therefore, that total pay should be the basis for computing retirement annuities.

Mr. Chairman, we greatly appreciate the opportunity to present our views on this important matter that so vitally affects employees of the Customs Service and other Federal employees.

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C., May 14, 1974.

Hon. JOHN J. ROONEY,
House of Representatives,
Washington, D.C.

DEAR JOHN: In response to your request of May 8, 1974, I would be pleased to have the statement sent to you by Miss Rose T. Mauro of Brooklyn, New York, included in the record of the hearings on H.R. 3024, relating to retirement of Federal employees who have a combination of years of service and age totaling eighty.

With kindest regards,
Sincerely,

THADDEUS J. DULSKI,
Chairman.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., May 8, 1974.

Hon. THADDEUS J. DULSKI,
Chairman, Post Office and Civil Service Committee, U.S. House of Representatives, Washington, D.C.

DEAR THAD: I am enclosing herewith copy of a statement from my constituent, Miss Rose T. Mauro of 210 Humboldt Street, Brooklyn, New York, with regard to the "combination 80" retirement bill. Hearings are being held today before the Subcommittee on Retirement and Employees Benefits.

Miss Mauro is a member of the American Federation of Government Employees, Local 1760, and would like to have her statement included in the record.

With kindest regards,
Sincerely,

JOHN J. ROONEY,
Member of Congress.

STATEMENT OF ROSE T. MAURO, BROOKLYN, N.Y.

I appreciate the opportunity to have my personal statement forwarded by my Congressman, The Honorable John J. Rooney, to the Subcommittee on Retirement and Employees Benefits of the House Committee on Post Office and Civil Service, to be included in that committee's record in connection with the hearing scheduled for May 8th, 1974 at 9:20 AM.

This proposed legislation is, in my opinion, long, long overdue. So many of my Federal Employee Colleagues who, like myself, are in the "LIMBO" category—(i.e. do not qualify for optional retirement at 55-30 or 60-20) were so distressed when last year's efforts to pass the "COMBINATION 80" bills failed, after having

progressed practically to passage, before the clock ran out. I had been assured by so many members of the N.Y. Congressional Delegation that it was a "sure thing" passage-wise—"in the bag"—at that time! Now that efforts have been activated again, at long last, let us hope that this time it will pass both Houses and be enacted into law.

The people most concerned are those who are far advanced in increments and most are near or at the top of their grade salary ceiling. If they choose optional retirement, their jobs would either be abolished by attrition or their replacements would be trainees or promotees at much lower salaries, performing work responsibilities. This would constitute considerable saving to the Government.

In addition, since some are not able to continue inservice for physical and other personal reasons, such as family considerations, desire to relocate, stress and pressures of urban living, etc. until they qualify under existing regulations, there is no alternative other than disability. Here again, government revenue loss is great because of tax exemption privileges for many years afforded disability annuitants versus limited ones for regulars.

Optional early retirement would greatly help the unemployed, particularly the Veterans and members of minority groups, by making jobs available.

Another factor (and a most important one) is the realization that the longer an employee remains in the service, the greater the annuity will be on retirement because of periodic pay raises, step increases, high quality award increases, etc.

Please give the "LIMBO" people (i.e. 58/22, 57/23 56/24 55/25, etc.) an opportunity to have the option to retire, whether or not a personal decision is made to exercise it. Those under 55 who would qualify (i.e. 54/26 53/27, etc.), would also benefit since there would be no reduction factor for "under 55", as is the present situation, under the involuntary separation regulations where reduction in force is involved. In this regard, optional retirement would save jobs for younger, newer employees in the event of reduction in force, in agencies where the choice is not, presently, authorized.

I understand, too, that the postal employees are advocating an "aggregate of 75" and have indicated that they intend to pursue this effort in contract negotiations, as one of their primary goals. By comparison, the "combination 80" apparently, is the more feasible and practical of the two, in my judgment.

I should appreciate testifying at any future hearings and shall be glad to express myself, at any time, in more detailed form, if given the opportunity. For the "LIMBO" people, who have devoted the major part of their lives to government service and have given dedicated performance as public servants for a great many years, this is the "NUMERO UNO"—the TOP, TOP PRIORITY LEGISLATIVE GOAL. Please urge action by the full committee and the House. The Senate, I feel confident, will cooperate, as it did last year.

Thank you.

STATEMENT OF HON. DOMINICK V. DANIELS, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEW JERSEY

Mr. Chairman and members of the subcommittee, I appreciate the courtesy extended me to present this statement in support of legislation to facilitate the opportunities for the voluntary retirement of long-term Federal employees.

Early in the 91st Congress, I introduced H.R. 768, the "Rule of 80" retirement bill. I reintroduced an identical bill, H.R. 1266, in the 92d Congress. The latter measure was approved by the retirement subcommittee, with amendments, co-sponsored in the form of H.R. 11255 by members of the subcommittee, and reported to the House by the full Committee on Post Office and Civil Service. No further action was taken thereon in the 92d Congress.

At the beginning of the 93d Congress, I again reintroduced the legislation, H.R. 437, which is substantially identical to H.R. 3024, the bill now under consideration. That part of both bills dealing with voluntary retirement during major reduction-in-force actions, as we all are aware, was enacted separately as Public Law 93-39, on June 12, 1973.

The primary purpose of this legislation is to permit a Federal employee to retire voluntarily when his attained age plus length of service aggregates at least 80 years, with the annuity reduced by the equivalent of 1 percent for each year the retiree is under age 55 at time of retirement.

Mr. Chairman, over the years Federal employee organizations have advocated the adoption of a provision to allow employees to retire optionally after 30 years

of service, regardless of age and with unreduced annuity benefits. Their representatives have contended that such a provision would make it more economically practicable for employees with partial disabilities, or with declining capacities or interests, to withdraw from the active Federal work force at some additional cost to the retirement program, but with an overall saving in agency personnel costs and gain in Government's efficiency.

On the other hand, many civil service employees argue that 30 years is a full career, justifying retirement at any age, without penalty. Others claim that the existing provisions of the retirement law discriminate against those who entered Federal employment at early ages. A further contention is that opportunities for earlier retirement will ease, to an extent, our country's unemployment problem by making room for new hires.

I feel that there is merit in the various proposals pending before the subcommittee to ease retirement opportunities for partially disabled workers and employees with substantial periods of service. I believe that there would probably be mutual advantage, also, in facilitating the retirement of long-term employees whose skills are supplanted by new technologies, or who have simply lost interest in their work.

While H.R. 437 and H.R. 3024 would apply to some employees having less than 30 years of service, the bills have the flexibility of accommodating to the cases of those between ages 55 and 60 who presently need 30 years of service in order to retire on immediate annuity.

Mr. Chairman, I will be grateful for the subcommittee's consideration of my views on the "Rule of 80" concept during its deliberations on the matter of early optional retirement legislation.

Thank you.

STATEMENT OF DANIEL JASPA^N, ADMINISTRATIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF POSTAL SUPERVISORS

Mr. Chairman and members of the House Subcommittee on Retirement and Employee Benefits, my name is Daniel Jaspan. I am the administrative vice president of the National Association of Postal Supervisors, composed of more than 33,000 supervisors in the postal field service. This includes supervisors in the motor vehicle and custodial services.

Our members are grateful to Chairman Waldie for his interests in improving the retirement system for federal employees as evidenced by his introduction of H.R. 3024 and other beneficial legislation. We have had many resolutions passed at our conventions over the years in support of such legislation.

We support H.R. 3024 and any bills to reduce the time required for retirement for many reasons, some of which are included in this statement.

One of the important reasons for the necessity of such legislation is the general health deterioration over the years. Retirement due to disability is limited to those cases in which an employee is found by competent medical authority to be totally disabled for useful and efficient service in his position. Employees incur partial loss of sight, hearing, speech, or ability to perform their jobs fully because of poor health, yet do not qualify for disability retirement because the infliction results in something less than disability. It is quite apparent that in many such situations it would be in the best interest of both the government and the employee to permit the individual to retire.

There are certain types of positions in the postal service that require ability and reflexes frequently not found in persons beyond a certain age. It is likely that many persons who have devoted many years to their postal careers would fall into this category and in such situations the right to retire would be highly desirable.

There are some employees who, after long years of service, reach the point when it becomes untenable to continue. This unhappy end may be reached through one or a combination of reasons, including job stress and strain, conditions of employment, climatic conditions, allergies of one kind or another, or just a general "end-of-the-road" feeling.

Asthma and allergies are probably more prevalent in the postal service than in most industries due to working conditions and particularly the dust generated by mail sacks and pouches which often become filthy before being "retired."

The possibility of early retirement on a full annuity would improve employee morale and productivity. Although we do not believe there would be a rush to

take advantage of the earlier retirement, we do know that reaching the "age of independence" could help to relieve the strain of these employees who work beyond the minimum retirement age.

It is also our firm belief that it would make it much easier to recruit new employees if they knew that they had the option of retiring when reaching the "combination 80." Many people do not enjoy the prospect of a long period of service in one job before they are eligible for retirement.

In our opinion, the cost of early retirement is overemphasized. It is our belief that most, if not all, of the cost would be made up in taxes. This is doubly true because the employee appointed to fill the vacancy would, of course, be paying taxes on his whole salary. Those retiring under the "combination 80" bill would after a year or two, also pay taxes on their annuities. These taxes would contribute greatly to the cost of earlier retirement.

It is also our view that long service in any organization should entitle the employee to the option of retirement. Postal work requires physical and mental strain that cannot be compared with most employment. There is also constant eye strain. In addition, there are few hours of duty that are comparable to ours in industry. The bulk of employment in the postal service is during the night hours. This not only leads to a disruption of family life and complicates the social life of the postal employee, but it is not conducive to good health.

It is our firm belief that the government should take the lead and not be the follower in employee benefits. More and more industries are permitting earlier optional retirement and the government should lead the parade rather than follow it.

It is our firm belief, however, that there would not be a mass exodus of employees from the postal service, particularly supervisors, if this excellent bill were to become law. Postal salaries are not high enough for employees to have great savings and many could not afford to live on such a greatly reduced income.

It is also probable that an earlier retirement system would help in recruiting new employees for government service. Young people who know that they must begin by working night hours in the post office, and who notice that there are very few good tours of duty and do not enter the service on account of this, may be induced to become postal employees if they know that they may leave the service with an annuity at a younger age than is now possible.

We appreciate the opportunity of presenting our testimony on this important bill and hope that the Congress will approve the proposed legislation as quickly as possible.

ORGANIZATION OF PROFESSIONAL EMPLOYEES
OF THE U.S. DEPARTMENT OF AGRICULTURE,
Washington, D.C., May 14, 1974.

Hon. JEROME R. WALDIE,
Chairman, Subcommittee on Retirement and Employee Benefits, Cannon House
Office Building, Washington, D.C.

DEAR MR. WALDIE: We appreciate the opportunity to include, as part of the record, the position of our organization on H.R. 3024. H.R. 3024 is another piece of legislation designed to update the Federal employees' retirement to more fairly meet the demands of a rapidly changing social structure and a changing Federal work force.

The two basic changes provided in this legislation, as we interpret the intent, are to: (1) provide a more gradual period of retirement eligibility, and (2) to change the annuity reduction from $\frac{1}{6}$ of 1% per month for each month the member is under age 55 to 1/12 of 1% per month.

Our organization endorses both features. We are particularly concerned that steps be taken to provide more logical consistency to establish eligibility. Under present regulations, a person with 37 years of service and 54 years old may not retire while a person with 30 years service may retire at age 55. Similarly, a person 59 years old with 29 years of service is not eligible for retirement, while a person 60 years old with 20 years of service may retire. Likewise, a person 61 years old with 19 years of service is not eligible for retirement, while a person 62 years of age with 5 years of service can retire. Any employee who must resign before eligibility for retirement has been established must wait until age 62 before application for Federal retirement can be filed.

A flexible plan with optional retirement privileges as provided for in the Magic "80" proposal would provide Federal employees a more satisfactory opportunity and will promote more fairness and equity to those persons who are forced to retire for personal reasons when they do not quite meet present minimum age and/or service requirements. It is very hard for employees to understand why a person with many years of faithful service cannot receive some reasonable consideration particularly when conditions beyond their control force their leaving the Federal Service. If it is not possible to obtain the Magic "80" retirement policy, we would, as alternatives, favor optional full retirement at any age after 30 years of service or a graduated scale which could start with 35 years of service, age 50, with the age and years of service graduated as follows:

Years of service:	Age	Years of service:	Age
35 -----	50	28 -----	56
34 -----	51	26 -----	57
33 -----	52	24 -----	58
32 -----	53	22 -----	59
31 -----	54	20 -----	60
30 -----	55	10 -----	61

This would maintain the present concept but would provide some flexibility and permit a logical sequence to establish eligibility for retirement.

The Administration's opposition to the proposed Magic "80" concept is apparently based on the assumption that the cost would be prohibitive. Information available to us does not support this assumption. Our analysis indicates just the opposite. Early retirement takes less from the retirement fund both annually and through the employees life expectancy. The attached table gives the salary scale of a sample GS-11 employee, 50 years old in January of 1970 with 30 years service. In order to provide a direct simple analysis, the attached sample considers only the basic average retirement annuity with no deduction for survivors' annuity, no merit promotions other than longevity increases which are automatically approved for most Federal employees, and no computed credit for unused sick leave.

The attached example is illustrative. Each employee's retirement annuity will vary depending upon the individual personal data such as date of birth, period and date of employment, average salaries considering specific within grade and merit promotions, credit for unused sick leave, deductions for early retirement, survivors' annuity, etc.

Most employees who are healthy, satisfied with their work and are able to make effective contributions, have a feeling of being needed, and are free from those personal problems which dictate a change in employment status, will continue working in order to build up an annuity adequate to provide a satisfactory income for the employee after retirement. The attached analysis supports this assumption.

The employees who needed this type of retirement can be grouped into three or four general categories. The most prominent is the female employee who started at age 16, 17 or 18, and has completed over 30 years of service before reaching age 50. She is married, her husband has retired and she would like to join him in retirement. Another is the employee who must change residence due to health problems in the family or for other compelling reasons must move to an area where Federal employment is not available. The third group involves those employees who feel that their talents can be more productive in another endeavor, many times part-time employment, outside Federal Service or their specific skills are not now needed as program operations are changed or specific functions are being phased out.

Persons who have not reached the current eligible retirement age and are forced to accept voluntary separation must either withdraw their contribution to the retirement fund or must wait and request retirement at age 62. Persons who elect deferred annuity cannot receive credit for any unused sick leave and are not eligible for any cost of living increases. In other words, at retirement, they will receive only that annuity computed for them at the time of voluntary separation from the Federal Service. This seems very unfair for the employee with 35 years service at age 54—has been a dedicated loyal servant, paid into the retirement fund but for reasons beyond his or her control must wait 8 years and then retire generally with less annual annuity than a person who could

retire at age 55 with 30 years of service. The same applies, but with reduced annuity losses, to the person under age 60 with 29 years of service, or the person over age 60 but under age 62 with 19 years service.

The illustration likewise does not substantiate the need for a reduced annuity for those retiring below age 55. We would recommend legislation that would permit retirement with full annuity at any age when age and service total 80 or more.

OPEDA, as a professional organization, has supported and worked for a sound retirement fund and when improved retirement benefits made excessive demands on the fund we have supported increased salary deductions to cover such cost in order to keep the retirement fund as solvent as is possible. We worked for and supported proper financing of the retirement fund as reflected in Public Law 91-93 which requires that the unfunded liability be restored in 30 equal annual installments. We are convinced that had the retirement fund been handled on a sound investment basis from the start, the fund would have been more than adequate today to handle annual retirement claims.

Since in our analysis, enactment of H.R. 3024 will not place excessive additional claims on the retirement fund and since we support common decency and equitable treatment for all loyal employees we would urge the enactment of H.R. 3024 without further delay.

While the early retirement provided in the proposed bill will not be used by a large group of Federal employees, it is important to those who must retire for personal reasons and to those whose skills are not now needed in present program functions.

We thank the Committee for the opportunity to submit this testimony and hope that we have been able to provide essential information that will enhance the enactment of legislation which will provide more equitable consideration for all employees, including those who were not born or did not start their Federal employment at the most opportune time to fit the rigid formula in the present statutory requirements.

Sincerely yours,

GEORGE E. BRADLEY,
Executive Director.

[Attachment is retained in the files of the subcommittee.]

ORGANIZATION OF PROFESSIONAL EMPLOYEES
OF THE U.S. DEPARTMENT OF AGRICULTURE,
Washington, D.C., May 15, 1974.

Hon. JEROME R. WALDIE,
Chairman, Subcommittee on Retirement and Employee Benefits, Cannon House
Office Building, Washington, D.C.

DEAR MR. WALDIE: We believe the table attached to our prepared statement provides the information requested by Congressman Collins at the hearing on the morning of May 8 on H.R. 3024. Our statement does not contain specially prepared actuarial tables but it does list the life expectancy used by the Civil Service Commission.

Because of the cost of living adjustments to Federal retirement income, it is very hard to project a supplemental estimate of the additional cost to the retirement fund that would result should the House approved amendment to S-628, which would eliminate annuity reduction for survivor's annuity, becomes law. If we take the example of the GS-11 with an annuity of \$5,269 for 30 years service at age 50, and \$10,656 annuity for 35 years service at age 55, we can show some comparative data. The current annual annuity reduction to provide for a survivor's annuity would be \$292.90 for \$5,629 annuity and \$795.60 for the \$10,656 annuity.

On an average the male 50 years old would be liable for survivor's annuity deduction for 26 years, or 21 years for the 55 year old male. If both the retiree and the spouse are the same age and both retired at age 55, the female spouse would be expected to live 5 more years and under current law be eligible to receive 55% of the final adjusted annuity during the period of eligible survivorship.

We sincerely hope this is adequate to meet Congressman Collins' needs.

Sincerely yours,

GEORGE E. BRADLEY,
Executive Director.

○